**Serbia**
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# FINANCIAL TIMES

Tuesday June 2 1992 EUROPE'S BUSINESS NEWSPAPER D8523A


## Potential buyers value Canary Wharf at £600m

Two potential corporate purchasers of Canary Wharf have separately concluded that the insolvent office project in the Docklands area of east London is worth no more than £600m ($1.1bn).

Hanson, the Anglo-US conglomerate, and P&O, the UK shipping and property group, would be likely to offer considerably less than that figure if either decided to bid for the Olympia and York development. Page 18

**Index up:** A surge in the purchasing managers' index – a key barometer of industrial conditions – signalled an acceleration in the momentum of US economic recovery. The Dow Jones Industrial Average closed up 16.33 at a record 3,413.21. Page 3; Lex, Page 18; Government bonds, Page 24; Currencies, Page 36; World stocks, Page 40

**'Quit' offer:** The chairman of the Russian central bank, Georgy Matiukhin, offered his resignation, blaming disputes with the Russian parliament for his decision. Page 2

**Errors alleged:** Germany's aerospace industry has virtually no chance of winning majority support in the Bundestag for the European Fighter Aircraft, according to a leading parliamentary defence spokesman. Page 18

**Anglo American Corporation,** South Africa's largest company, signalled optimism about prospects for an economic upturn by lifting its dividend 6 per cent on the back of maintained earnings for the year to the end of March. Page 19

**Boundary threat:** Iraq said UN proposals for a new border with Kuwait would "create a permanent nucleus for tension". Page 4

**Dunhill makes a fashionable move**

Karl Lagerfeld, the German designer who is one of the brightest stars of French fashion, is to sell his business to Dunhill Holdings, British luxury goods group, for what Dunhill chairman Lord Douro said was "less than FFr160m" ($29m). Lagerfeld, seen here with one of his company's aftershaves, will design ready-to-wear fashions for Dunhill. Page 19

**Clean-up aid:** *East Germany's obsolescent* chemicals industry has been granted more than DM600m ($371m) by the Treuhand agency as part of a DM2bn programme to clean up the massively-polluted production sites. Page 4

**Poll plea:** Thailand's private sector called for new elections in an attempt to break a political deadlock following the killing last month of at least 48 pro-democracy demonstrators. Page 4

**Backing off:** Air France and Lufthansa of Germany have pulled back from plans to merge their hotel operations. Page 20

**Major pledge:** A campaign to roll back "unnecessary regulation" by Brussels was promised by UK prime minister John Major as a priority for Britain's forthcoming presidency of the European Community. Page 7

**Arafat ill:** Yassir Arafat, chairman of the Palestine Liberation Organisation, was operated on to remove a cerebral blood clot caused in the impact of an *aircraft crash* in April. Page 4

**Tokyo ire:** The Japanese government, in an unusual show of anger, plans to send a letter to the EC this week to complain that a recent Commission review of relations was "one-sided" and "inappropriate". Page 18

**Bank warning:** The Bank of England issued a warning on the dangers of buying overseas banks and the problems *involved in developing* pan-European operations. Page 7

**Import fear:** European steel producers told the European Commission they were worried about imports from eastern *Europe*. Page 6

**Apartheid 'dead':** F W de Klerk used the first state visit of a South African president to Russia since the war to declare that "we have turned our back on apartheid". Page 4

**Exim Bank** of Japan signed a protocol for $300m in loans to Brazil – its first lending to Brazil in more than seven years. Page 4

**Soccer boss accused:** The head of the French Football Federation, Jean Fournet-Fayard, was charged with manslaughter over the collapse on May 5 of a Corsican soccer stadium stand in which 15 people died and 750 injured.

**Safe haven:** Colombia has granted political asylum to former Peruvian President Alan Garcia.

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100: | 2,697.6 | (−10.0) |
| Yield | 4.55 | |
| FT-SE Eurotrack 100 | 1,196.12 | (−3.46) |
| *FT-A All Share* | 1,307.28 | (−0.3%) |
| FT-A World Index | 143.58 | (−0.3%) |
| Nikkei | 18,084.11 | (−343.64) |
| **New York:** | | |
| Dow Jones Ind Ave | 3,413.21 | (+16.33) |
| *S&P Composite* | *417.3* | (+1.95) |
| **■ US CLOSING RATES** | | |
| Federal Funds: | $3\frac{13}{16}$% | ($3\frac{11}{16}$%) |
| 3-mo Treas Bills: Yld | 3.816% | (3.766%) |
| *Long Bond* | $101\frac{9}{32}$ | ($101\frac{7}{8}$) |
| Yield | 7.881% | (7.83%) |
| **■ LONDON MONEY** | | |
| 3-mo Interbank | $10\frac{1}{32}$% | ($10\frac{1}{16}$%) |
| *Liffe long gilt future:* | Sep $99\frac{15}{32}$ | (Sep $100\frac{1}{32}$) |
| **■ NORTH SEA OIL (Argus)** | | |
| Brent 15-day (July) | $20.825 | (20.675) |
| **■ Gold** | | |
| *New York Comex (June)* | *$337.8* | *(336.4)* |
| London | $337.2 | (336.95) |

| ■ STERLING | | |
|---|---|---|
| **New York:** | | |
| $ | 1.8255 | (1.8285) |
| **London:** | | |
| $ | 1.823 | (1.829) |
| DM | 2.935 | (2.94) |
| FFr | 9.8625 | (9.8675) |
| SFr | 2.6625 | (2.665) |
| Y | 232.25 | (233.5) |
| £ Index | 92.7 | (92.9) |
| **■ DOLLAR** | | |
| **New York:** | | |
| DM | 1.6060 | (1.608) |
| FFr | 5.3945 | (5.401) |
| SFr | 1.45575 | (1.457) |
| Y | 127.825 | (127.6) |
| **London:** | | |
| DM | 1.61 | (1.607) |
| FFr | 5.41 | (5.395) |
| SFr | 1.461 | (1.4575) |
| Y | 127.4 | (127.7) |
| $ Index | 63.2 | (63.1) |
| Tokyo close Y 126.78 | | |



| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Hungary | Ft162 | Malta | Lm0.50 | S.Arabia | SR9.00 | | |
| Bahrain | Din1.000 | Iceland | IKr180 | Morocco | MDh11 | Singapore | S$4 10 | | |
| Belgium | BFr60 | India | Rs20 | Neth | Fl 3.50 | Spain | Pta200 | | |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira30 | Sweden | SKr14 | | |
| Czech | Kcs35 | Israel | Shk5.50 | Norway | NKr15.00 | Switz | SFr3.00 | | |
| Denmark | DKr14 | Italy | L2500 | Oman | OR1.20 | Thailand | Bht50 | | |
| Egypt | E£4.00 | Jordan | JD1 20 | Pakistan | Rs35 | Tunisia | Din1.000 | | |
| Finland | FM10 | Korea | Won 2500 | *Philippines* | *Pso45* | *Turkey* | *L6000* | | |
| France | FFr8.50 | Kuwait | Fils.500 | Poland | Zl 18,000 | UAE | Dh9.00 | | |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es198 | | | | |
| Greece | Dr250 | Lux | LFr60 | Qatar | QR10.00 | | | | |



# Investigators unravel more of Maxwell web

**By Bronwen Maddox, Raymond Snoddy and Jimmy Burns in London and Ian Rodger in Zurich**

INVESTIGATORS have uncovered a number of Liechtenstein-controlled companies with links to the Maxwell family which are beyond the reach of creditors and pensioners of the collapsed empire of the late Mr Robert Maxwell.

One of them, Sphere Inc, a fast-growing Californian computer games company which trades as Spectrum Holobyte, expects to have a turnover of $30m this year. Another, Pergamon Holdings (US) Inc, was used to pay Mr Kevin Maxwell, Mr Maxwell's youngest son.

*Until two months ago* Mr Kevin Maxwell was a director of Sphere Inc. His sister, Ms Christine Maxwell, is still on the board.

The companies are separate subsidiaries of the secretive Maxwell Foundation in Vaduz which was also the ultimate owner of Mr Robert Maxwell's complex *web of businesses.*

In addition to the Liechtenstein-controlled companies, investigators have also been examining at least one private company owned directly by members of the Maxwell family.

The company, Fivetell, has been used to hold family stakes in top soccer clubs. According to the latest company records, Mr Ian Maxwell, former chief executive of Mirror Group Newspapers and another son of Mr Robert Maxwell, owns 51 per cent of the company.

*Investigators believe that last* year "substantial funds" were transferred into Pergamon Holdings (US) Inc. from Maxwell companies throughout the world, including Macmillan, the US publisher and the most valuable *asset of Maxwell Communication* Corporation.

Investigators understand that one of the company's functions was to pay Mr Kevin Maxwell, a legitimate activity, and a common structure in many companies.

On April 3 1992 Pergamon *Holdings (US) Inc. registered an* interest in Mr Kevin Maxwell's house in Chelsea, London, which is believed to be worth over £1m.

Investigators are unclear whether the company had other functions, or whether it still contains *assets. Their examination* has been inhibited because they cannot penetrate the Liechtenstein rules of confidentiality.

Mr Robert Maxwell took an 80 per cent stake in Sphere, based in Alameda, California, in 1987. It operated as a sister company to Mirrorsoft, a UK computer games *company owned by Mirror Group* Newspapers, but Sphere was always owned separately.

Mr Gilman Louie, the founder of the company, confirmed yesterday that he believed the ultimate ownership was in Liechtenstein. *Mr Louie said this had* insulated the company from the chaos surrounding the Maxwell businesses. "We are trading as normal," said Mr Louie.

Yesterday administrators said


**Continued on Page 18**
**Charge of the pension brigade, Page 16**


# Serbs bomb Sarajevo in defiance of sanctions

**By Judy Dempsey and Laura Silber in Belgrade**

THE BOSNIAN capital of Sarajevo last night came under heavy bombardment from Serb irregular forces in defiance of United Nations sanctions and an agreement to implement a ceasefire.

The bombardment, which started less than two hours after the ceasefire was due to come into effect, appeared to indicate *that power is passing quickly to* local Serbian warlords in Sarajevo and opposing Bosnian militia groups. The renewed fighting casts doubt on the ability of authorities in Belgrade, Serbia's capital, to control their irregular forces even if they wish to.

In response to the sanctions, Serbia yesterday sent General Zivota Panic, commander of the Yugoslav federal army, to Sarajevo where he was due to hold talks with Bosnia's President Alija Izetbegovic. The two were to discuss implementing the ceasefire, which was to start at 1600 GMT yesterday having been forged by Colonel John Wilson, a UN official in Sarajevo, and agreed by Croat, Moslem and Serb leaders in Sarajevo on Sunday.

The fighting took place as Serbia prepared for energy rationing to offset the impact of the sanctions, designed to put pressure on the republic to stop the war in Bosnia-Hercegovina. President Slobodan Milosevic vowed that Serbs would never bow to international pressure. "The people have said that they want to be masters of their own destiny, and not to have it at the hands of foreigners," he said.

*The sanctions, as tough as* those imposed on Iraq in 1990, are already beginning to bite. Mr Nikola Sainovic, Serbia's minister of energy, said oil derivatives *would soon be "conserved"*, a signal that rationing was planned.

In the run-up to the deadline set for the ceasefire yesterday, Sarajevo Radio reported that Serb militia had bombarded the city hall. One person was killed and three were injured. According to the radio, at least 30 people have been killed and 115 wounded in the last 24 hours in *Bosnia and on the borders with* Croatia. The radio added that villages around Tuzla, north-east of Sarajevo, were attacked by two Yugoslav airforce jets.

In Belgrade, President Milosevic said "the great results" of Sunday's parliamentary and local elections, which the main opposition parties boycotted, supported the government's defiant stand.

"They [the results] are a reply to all those enemies outside, and internally, who have conducted a campaign against the elections. The results are of enormous significance for the democratic process," he added. Final results have not been announced.

The UN said it would begin talks today with the warring parties to try to open Sarajevo airport for humanitarian supplies. In Belgrade people were buying up household goods while the petrol queues grew even longer. The black market currency rate in *Belgrade* rose *sharply* from 1,300 dinars to the dollar to more than 1,700. The official rate is 323 dinars to the dollar.


Page 2
■ **Chaos obscures casualties of Serbian sanctions**

Page 16
■ **Editorial Comment:** ***The isolation of Serbia***


Taste of London: New York City mayor David Dinkins visited London's East End as part of a joint effort by the New York City Partnership and the Chamber of Commerce to promote the city as a US base for foreign companies. Report, Page 3

# EC accuses US over Earth Summit

**By Christina Lamb in Rio and George Graham in Washington**

*THE EUROPEAN Community* accused the US yesterday of threatening the outcome of the Earth Summit because of its refusal to sign a treaty central to the success of the environmental gathering.

The summit, due to start in Rio de Janeiro tomorrow, has already *been plagued by acrimony* between developed and developing nations.

Expectations about what the 10-day summit could achieve were further lowered by Mr John Major, the UK prime minister, who said some people were expecting too much from it.

"I am very keen for us to make progress generally at the Rio summit," Mr Major said. "But I have been warning for some time that some of the expectations for the summit are higher than those that can be realistically achieved."

Mr Laurens Jan Brinkhorst, *who is leading the EC's delegation*, said in Rio that the US was in danger of creating a rift within the industrialised world at the summit by refusing to sign a convention on species conservation, or biological diversity.

*"We're very disappointed with* the US decision. It will be very sad if it results in a cleavage not just between developed and developing countries but also between developed countries."

The developing world had bent over backwards to please the US and "they are not seeing an *appropriate response"*, Mr Brinkhorst added.

In Washington President George Bush proposed a doubling in world spending on forest conservation to $2.7bn and offered $150m of US funds as a "down-payment" for his initiative.

US officials acknowledged, *however, that the extra funding* might well not become available before 1994, and would have to be offset by cuts in other spending.

A senior US official said Mr Bush had written to leaders of the Group of Seven leading industrialised nations and the EC about his proposal.

*A US official said: "This [the* US initiative] is quite an effective approach to dealing with biodiversity. This is not rhetoric, this is reality."

Members of developing countries said they were angry at what they saw as an attempt by the US to deflect criticism with its forests initiative.

Both the EC and the developing world had accepted a weaker convention on climate change to accommodate the US, Mr Brinkhorst said. "We in the EC believe it is very important to make ourselves credible to developing countries by showing that the *developed world is not only offering* words but taking steps to


**Continued on Page 18**
**Key to development, Page 17**
**Survey, Section III**


# Rolls-Royce forges power link with Westinghouse

**By Paul Betts in London and Ian Rodger in Zurich**

ROLLS-ROYCE and Westinghouse yesterday forged a strategic alliance to challenge General Electric of the US for leadership of the large power generation business.

The 15-year agreement between the UK aero-engine company and the US power systems group will provide Westinghouse with advanced aero-engine technology for new large power generating systems and strengthen Rolls-Royce's position in industrial power generation.

The deal will make the partnership the world's second largest power generation group, after GE.

Westinghouse and Rolls-Royce are already collaborating in the development of a gas turbine engine for the US Navy *after winning* a $160m engine development contract in January. The agreement announced yesterday extends this co-operation across the whole field of large power generation systems.

The partnership will also introduce Rolls-Royce into the gas turbine alliance between Westinghouse, Japan's Mitsubishi Heavy Industries and FiatAvio of Italy.

Rolls-Royce, which acquired Britain's Northern Engineering Industries (NEI) three years ago, has been seeking to expand its industrial power activities which already account for about 40 per cent of the group's annual turnover. Sir Ralph Robins, chief executive, indicated last week that Rolls-Royce's long-term strategy was to reach a 50-50 balance between aero-engines and industrial power.

Yesterday's deal underlined the increasing *demand for aero-*engine technology by makers of power generating systems, which operate under similar conditions of extreme heat.

*GE has large aero-engine and* industrial power divisions, while Siemens of Germany has teamed up with US company Pratt & Whitney. Under the new agreement, Rolls-Royce said it would transfer aero-engine technology to Westinghouse for use in existing and future industrial combustion turbine designs.

The Westinghouse agreement raises questions over Rolls-Royce's relationship with ABB Asea Brown Boveri, the Swedish-Swiss group. Rolls-Royce already co-operates with ABB in the UK market and there has been regular speculation *that the two* groups would forge closer links.

Rolls-Royce said last night that the Westinghouse deal would not *affect the current relationship.*



CONTENTS

Matiukhin blames a running dispute with parliament over interest rates

# Russian central bank chairman resigns

By John Lloyd in Moscow

THE chairman of the Russian central bank yesterday offered his resignation to the presidium of the Russian parliament, blaming disputes with parliament, especially over interest rate policy, for his decision.

Mr Georgy Matiukhin, in office for a little over a year and the butt of ferocious criticism in the press and parliament, told the presidium his decision was final. The move seems set to be approved by parliament, which contains some of his sharpest critics.

The resignation throws open the sensitive arena of financial policy to a bitter political feud between government and president on the one side and parliament on the other over the choice of a successor and the setting of bank policy. Parliament is constitutionally responsible for the bank, but Mr Boris Yeltsin, the Russian president, said the bank took its orders from him, while the government has sought to exert pressure on it wherever possible.

This struggle is certain to become part of a larger conflict between president and parliament over the scope of presidential powers. Mr Yeltsin has promised to hold a referendum on the constitution, and on the private ownership of land - both issues on which he has been blocked by the deputies. If he attempts also to take the central bank out of parliament's control, the much-awaited showdown between the presidential and legislative levels of government could not be delayed further.

Two possible replacement candidates have been much discussed in recent weeks as it became clear that Mr Matiukhin was under growing pressure. They are Mr Boris Feodorov, a senior official of the London-based European Bank for Reconstruction and Development and a former finance minister of Russia; and Mr Viktor Gerashchenko, the former chairman of the Soviet State Bank (Gosbank) who - though forced out when the Soviet Union collapsed at the end of last year - still commands respect at home and abroad.

Mr Feodorov would be the choice of the economic reformers in the cabinet, led by Mr Yegor Gaidar, the first deputy prime minister. However, Mr Gerashchenko, some 30 years his senior, may command support in parliament.

Mr Matiukhin has been blamed for pushing interest rates up to 80 per cent; for starving enterprises of cash to pay wages and for restricting credit to the point where inter-enterprise debt has rocketed to the figure of Rbs 1.7trillion.

Mr Gaidar promised the cash hunger would be assuaged by July when larger banknotes - up to Rbs5,000 - come in.

● Nefteexport, Russia's main oil-exporting firm, yesterday announced the resignation of its head, Mr Vladimir Arutunyan, but gave no reason, Reuter reports from Moscow.

# Hopes grow of fall in German inflation

By Christopher Parkes in Bonn

THE RECENT fall in west German import prices accelerated in April, reinforcing optimism that inflation is on the way down again.

Export prices rose further, but the rate of increase appears to be slowing.

Cheaper fresh produce and raw coffee, down by 15 per cent and 4 per cent respectively on the previous month, contributed to a 2.5 per cent overall reduction against April last year, the federal statistics office said yesterday.

The drop followed year-on-year falls of 1.5 per cent in March and 1.2 per cent in February.

The 1 per cent increase in export prices followed a 1.4 per cent increase in February and 1.2 per cent in March.

The fall in inflation to 4.5 per cent in May, compared with 4.6 per cent a month earlier, matched most forecasts.

These also predict a decline to around 3.5 per cent in mid-year, when special levies imposed last July on oil and other goods, drop out of the reckoning.

# Italy assures Brussels on Ilva plan

By Andrew Hill in Brussels

MR Giulio Andreotti, caretaker prime minister of Italy, has satisfied the European Commission's competition authorities that the Italian government is committed to the restructuring plan prepared for Ilva, the state-owned steel group.

Sir Leon Brittan, the competition commissioner, must now decide whether to recommend approval of the state aid package, or whether it is likely to distort competition, in which case he can call for it to be altered or abandoned. Sir Leon is likely to submit his recommendation to the full Commission next week.

A decision on the politically sensitive Ilva case was held up until after the Italian election. Within the last few weeks Mr Andreotti has written a letter to Sir Leon underlining the government's commitment to the package. Commission officials said they were sure that the caretaker government's promises would be honoured by the next coalition.

The Ilva plan outlined last summer would have involved an injection of up to L1,200bn ($992m) in new capital from its parent, the IRI state holding company. The group received L350bn when it absorbed Sofim, the state agency entrusted with economic development in southern Italy. Ilva hopes IRI will come up with a further L300bn, and has said it will also sell off assets to concentrate on its core businesses.

Ilva is likely to reveal more details of its plans today when it will announce results for 1991. The group is expected to report a loss of up to L450bn.

# Moscow sets out terms for defence and intervention

By John Lloyd

THE Russian defence minister said yesterday that the intervention of foreign troops in states adjoining Russia, or the build-up of troops on their borders, would be regarded as a direct military threat to Russia.

General Pavel Grachev, recently appointed to the top defence post, told a conference in which a number of NATO officials are participating that Russia saw no state or group of states as hostile to it. It would, however, react forcefully to any state which sought regional domination.

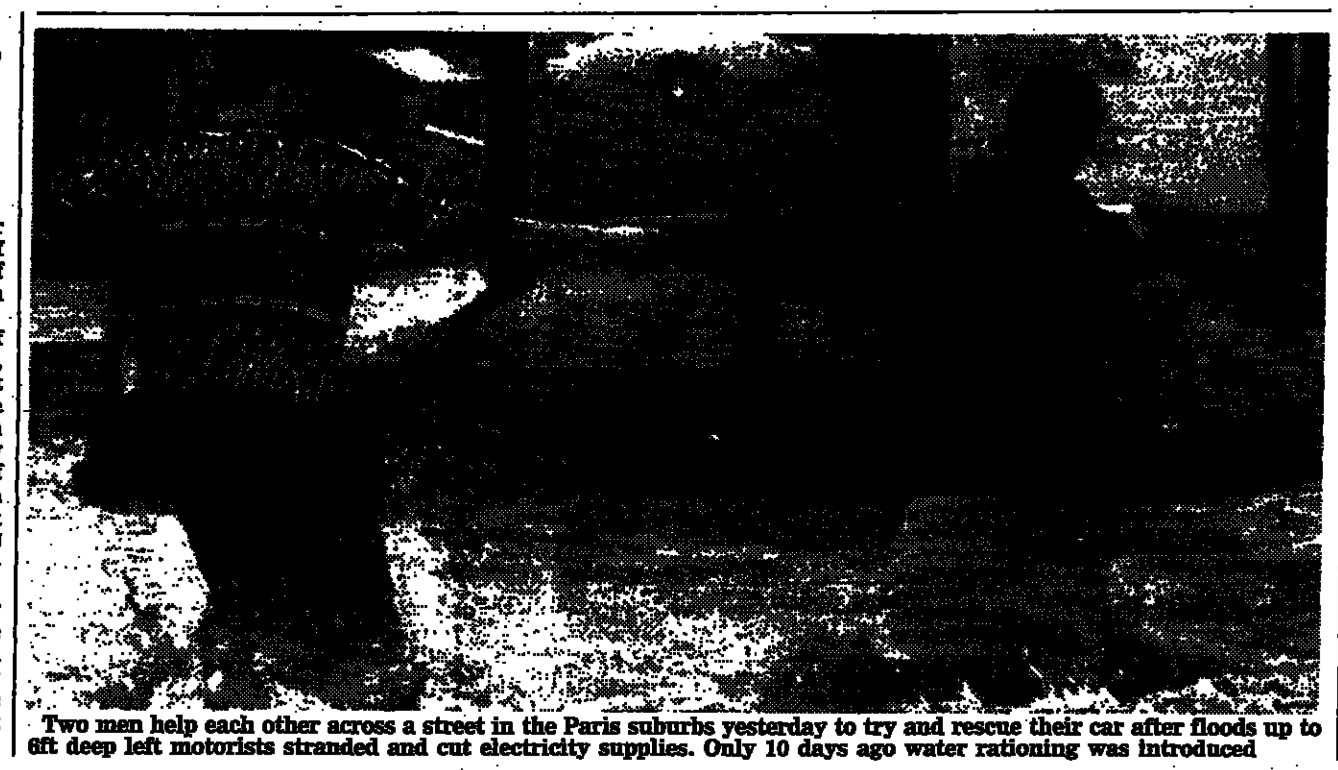
This definition of Russia's "sphere of interest" means it sees all of the former Soviet states on its land borders as areas in which it has a right to intervene if it believes they are under threat. These would include the three Baltic states, the western states of Ukraine and Belarus, the Caucasus to the south and the central Asian state of Kazakhstan.

This is in spite of the fact that Russia has not concluded a collective security agreement with most of these states. Belarus, Ukraine, Georgia and Azerbaijan, as well as the Baltic states – which are not in the Commonwealth of Independent States – have all refused to sign a security agreement. Ukraine increasingly sees itself as opposed to Russia.

General Grachev promised sweeping changes in the Russian army over the next 10 years – including a cut of 700,000 men by 1995 and a further 600,000 cut by the end of the decade. The planned size of the Russian army is between 1.3m and 1.5m.

Mr Viktor Mikhailov, head of the Russian Atomic Ministry, told the same conference that "nuclear weapons ensure the stability of the world – even today". He said Russia now controlled 80 per cent of nuclear weapons production facilities of the former Soviet Union – with the remaining 20 per cent confined to ore extraction and processing.

He said that 15,000 nuclear warheads, or 50 per cent of the former Soviet nuclear potential, would be destroyed. However, this process would take 10 to 15 years and would cost $2bn (£1.1bn).



Two men help each other across a street in the Paris suburbs yesterday to try and rescue their car after floods up to 6ft deep left motorists stranded and cut electricity supplies. Only 10 days ago water rationing was introduced

# Nato chief hints at heavier intervention

By David White, Defence Correspondent

PEACEKEEPING FORCES in situations such as Yugoslavia may require heavier military capabilities than those deployed up until now in United Nations operations, General John Galvin, Nato's supreme commander in Europe, said yesterday.

"You may find a peacekeeping force cannot be walking around with just blue helmets and pistols," he told an audience in a speech at the Royal United Services Institute in London.

Experience so far in peacekeeping operations in Yugoslavia had shown that such operations had to be carefully thought out, leaving room for flexibility and reinforcement, he said.

He would not comment, however, on prospects for larger-scale military intervention.

The UN peacekeeping business was "booming", with 13 different operations launched since 1988, more than in the previous history of the organisation.

However, these forces were usually deployed where there was an established peace to keep. "I'm not sure that's always going to be true," he said.

Gen Galvin, who retires from his post later this month, expressed confidence that Nato would take on peacekeeping missions, which is a subject due for discussion by foreign ministers in Oslo this week.

However, it was unlikely to undertake such a role in eastern Europe without the involvement of east European countries, he said.

# Chaos obscures casualties of Serbian sanctions

Energy-dependent industry and tobacco exports are likely to be quickly affected, writes **David Dodwell**

TRACTORS for Algeria and construction contracts in Russia will be casualties of UN trade sanctions against Serbia and Montenegro which came into force yesterday.

Inside Serbia, mile-long lines of cars formed in front of petrol stations as motorists reacted to fears of early fuel shortages. But there was no panic-buying in Belgrade's still well-stocked supermarkets and grocery stores. Most people appeared confident that the sanctions would not make much difference to food supplies.

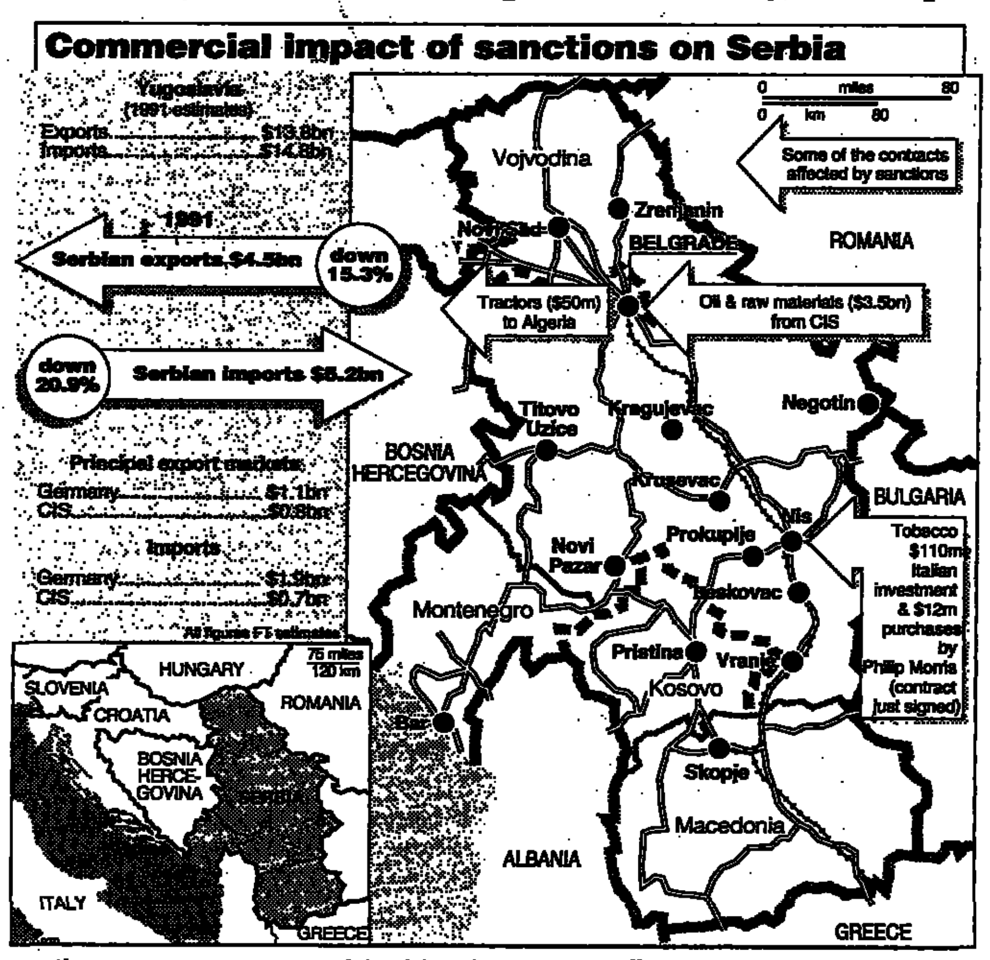
Initial assessments of the impact of the ban, which covers all trade, an oil embargo and the cutting of air links, have been confused:

● Trade with Serbia and Montenegro has been badly disrupted since August last year, when violence first flared between Serbia and Croatia.

● Serbia's second most important market (after Germany) was the former Soviet Union, where trade has in any case been disrupted by a shortage of foreign exchange and upheavals in central Europe.

● Serbia has had many months to anticipate the ban, perhaps stockpiling critical imports like oil and gas. It is unclear how easily countries might circumvent the ban – say by exporting to Macedonia, and freighting goods overland into Serbia from there.

● Trade statistics are a mess, since no Yugoslavia-wide data have been compiled since August. Also purchases between the six republics have been transformed from internal to foreign trade. According to the Economist Intelligence Unit, about 40 per cent of Serbia's GNP is accounted for by trade with Croatia and Slovenia. It is arguable that the decimation of this trade is as damaging to Serbia as foreign sanctions.




An early casualty inside Serbia will be Yugocars and other vehicles made at the Crvena Zastava enterprise in Belgrade.

Various components and upholstery, traditionally supplied from Slovenia and Croatia, have already been disrupted by military conflict. Efforts to find new sources inside Serbia have met with only partial success.

Important export markets, like Greece where Yugocars enjoyed preferential tariff access, will now be lost. A $50m (£27.7m) contract to sell tractors to Algeria, where Crvena Zastava first entered the market a decade ago, will also be frozen.

Yugoslavia's textiles and clothing industry has already been disrupted. In 1990, it accounted for almost $1bn of Yugoslavia's exports. In Germany, an important market for Serbian textile products, the effect of sanctions would be "certainly painful" for some sectors and some individual companies, the Gesamttextil industry group said.

Among its main farm exports, tobacco will be badly hit. One of Serbia's main tobacco enterprises, Duvanska Industrija, was planning to build a $110m facility to be supplied by Komas of Italy – a deal which must be in abeyance.

All energy-dependent industry is likely to be quickly affected – including chemicals and iron and steel. Mr Mirolem Dzindo, manager of a fertiliser factory, said: "We used to get get gas from Russia. Our whole production will stop. The state will not have enough artificial fertiliser. That means that there will be no food. There will be hunger..."

Serbia depends on imports for about 40 per cent of its energy, and is no longer able to import oil and gas through the Adriatic pipeline. Almost a quarter of Serbia's oil came last year from China, with a similar amount from Russia, while Iran supplied 16 per cent and Romania a further 13 per cent.

China was among the most reluctant to impose sanctions on Serbia, but is thought likely to abide by the UN directive, if only because delivery to Serbia is so difficult. Russia's response will be pivotal. Progres, the Belgrade-based foreign trade company, recently announced a $3.5bn agreement under which Russia would supply energy and raw materials in exchange for Serbian farm and consumer products, and construction work.

Mr Vyacheslav Dmitriev, deputy director of the trade department of the Russian Ministry of Foreign Economic Relations said last night that negotiations between Russia and Serbia on trade contracts would continue, in spite of Russia's announced intention to apply embargoes against the Yugoslav republic.

He regarded an embargo as temporary and had received no instructions to break off negotiations.

However, he said there had been very few recent trade contracts with Serbia because of lack of hard currency on both sides.

The CIS countries were Serbia's second most important trading partner, behind Germany, and ahead of Italy and France. The impact of sanctions on trading partners will vary more in terms of their geographic location than in terms of the importance to them of the Serbian market in its own right.

For example, despite Germany's importance to the former Yugoslavia as a trading partner, its annual imports of $1.1bn and exports of $1.9bn in 1990 accounted for less than one per cent of all German foreign trade. Serbia traditionally accounts for around a quarter of total Yugoslav-German trade.

The direct effects of the war and measures taken by government and individual companies had anyway sharply reduced German trade with Yugoslavia even before UN sanctions were imposed.

Italy accounted for 14 per cent of the former Yugoslavia's total foreign trade. However, almost 60 per cent of this was accounted for by the two republics of Croatia and Slovenia with which Italy has long held close ties.

Indeed, the independence of these two republics has accelerated Italian trade, mainly made up of food products and light industrial goods.

By contrast, Hungary will be more affected than most by sanctions. Hungarians are particularly worried that Serbia will respond to Hungarian sanctions by blocking river traffic down the Danube, Hungary's only waterway route to the open sea.

Hungary is the mainland transit route for Serbian trade since conflict made transporting goods through Yugoslavia difficult. Truck and rail traffic continues as normal at present, pending a government decision later this week.

Greece and Turkey are similarly compromised, since Serbia sits across their main land bridge to the EC market. Goods travelling to Europe could easily be "diverted" in Serbia, local observers claim.

*Contributions from FT correspondents in Europe.*

# UK bank spells out new rules

*THE following is a statement from the Bank of England:*

HM Treasury announced yesterday that, following Resolution 757 of the UN Security Council, Yugoslav (Serbian/Montenegrin) assets held in the UK are being blocked.

The Bank of England, on behalf of HM Treasury, announce that bargains entered into in the money, foreign exchange and securities markets, involving Serbian or Montenegrin counter-parties, prior to 0001 hours on June 1 1992 may be completed without reference to the Bank of England.

Permission is hereby given for payments to and from the accounts of individuals resident in Serbia or Montenegro, except payments to those territories, to be made without formality.

Questions regarding the above should be referred to the Bank of England, telephone numbers: 071-601 4768; 071-601 4607; 071-601 3848; 071-601 3558; Fax: 071-601 4309.

## Business as usual at Anglo-Yugoslavia

Anglo-Yugoslavia, a Yugoslav bank operating in London, said yesterday it was carrying on with business as usual after the Bank of England and Treasury had confirmed that it was regarded as a UK resident bank, writes David Barchard.

Mr Michael Cowdrey, deputy managing director, said the bank, with a balance sheet of about £70m, was subject to applying the same sanctions against Serbia and Montenegro as any other bank in the UK. This may pose some problems as Anglo-Yugoslavia is mainly owned by Serbian and Montenegrin institutions.

# Master Slovak politician shakes the federalist foundation

The word 'independence' may be avoided, reports **Ariane Genillard**, but the rhetoric is unambiguous

Vladimir Meciar: verbal pugilist

STANDING in the medieval square of the small town of Banska Stvianica in central Slovakia, Mr Vladimir Meciar, the most popular politician in the republic, works the crowd with the well-trained techniques he learned in his boxing career. His large silhouette positioned beneath the statue of Saint Sebastian, he answers written questions allegedly gathered from the crowd. In well-prepared verbal blows, Mr Meciar displays his wit as he blends political slogans with well-timed jokes about his enemies.

An expected winner in Friday's elections for the regional republic's parliament, the Slovak National Council, he knows when to strike. Since joining the opposition in the assembly after a spell as regional prime minister a year ago, his popularity increased in parallel with the growth of nationalism in Slovakia, the smaller of the two republics in the Czechoslovak federation.

With an average 30 per cent support in the opinion polls for his party, the Movement for a Democratic Slovakia, and support from other smaller parties, he represents the greatest threat facing the federation since the demise of communism. He shouts to the crowd: "I told Mr Havel (the federal president) that we will no longer ask him what to do!" The people of Banska Stvianica applaud enthusiastically.

The party's programme calls on the Slovak parliament to declare the republic's sovereignty. He has also promised to push through a constitution which would take precedence over the federal one. He says that a referendum would then be put "if the Czechs and Slovaks continue to disagree".

Representatives of the Czech and Slovak governments have been unable to agree a post-communist relationship. As negotiations continued to fail and Slovakia's unemployment rate soared to three times that of neighbouring Czech lands, nationalists fuelled the growing resentment against the federal government.

The Movement for a Democratic Slovakia receives between 25 and 34 per cent in the various opinion polls, but his policies also have the backing of other parties with which he might be able to construct a parliamentary majority. Moreover, together they could put together a strong bloc in the federal parliament in partnership with the Czech republic's left-wing parties. Right-wing politicians have warned in Prague that his victory could herald the end of a workable federal parliament.

Mr Meciar's calls for increased state subsidies for ailing enterprises has won the support of the Democratic Left Party, the renamed communist party, which, while allegedly pro-federation, is calling for greater state intervention in the transition to a free market. Led by a charismatic and relatively young man, Mr Petr Weiss, it gets about 12 per cent in the polls.

His party is also supported by smaller, but equally nationalist parties, in Slovakia, such as the Slovak National Party, the only party to call openly for independence. It has an estimated 10 per cent support in the Slovak population.

Careful to avoid the word "independence," Mr Meciar talks about "increased autonomy." Polls show that only a small minority wants outright independence. Still, the rhetoric is unambiguous: "If we want to be the equal of other countries in Europe," he told his Banska Stvianica rally, "we have to join it as separate state. Slovakia must have its own legal status in Europe. We must be able to take decisions by ourselves and with our own money."

President Havel, after a recent meeting with Mr Meciar, warned of "dangerous ideas about the possibility of dissolving the common state from above and constituting fully independent republics...then tied in a vague dualist union." Speaking at the opening of his own electoral campaign, Mr Havel stressed that this would lead "to nothing but a chaotic break-up of the state."

Talks about dividing the two republics pervade the discourse of all political parties in both the republics as voting-day approaches. Faced with the possibility of an unworkable federal parliament, Czech right-wing parties, which head the opinion polls in their republic, have signalled an unwillingness to compromise.

"I do not rule out the possibility of two countries emerging," Mr Meciar told the crowd, "but it will be because the Czechs were unable to co-operate with us." The crowd applauds, seeming to have forgotten entirely that it was his own party that opposed all tentative agreements between the republics.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481: Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman, D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: AMERICA

# Key US index signals growth acceleration

By Michael Prowse in Washington

A SURGE in the purchasing managers' index – a closely followed barometer of industrial conditions – yesterday signalled an acceleration in the momentum of US economic recovery.

The index rose to 56.3 per cent last month against 51.3 per cent in April. This was the strongest reading for three years and well above financial markets' expectations.

"It's the gong that announces the recovery is here to stay," said Mr David Jones, chief economist at Aubrey Lanston, the New York broker. Growth was likely to accelerate from an annual rate of 2.4 per cent in the first quarter to 3-3.5 per cent during the summer, he said.

Mr David Hale, chief economist at Kemper Financial Companies in Chicago, said the surge in the index pointed to strong growth in industrial production as companies rebuilt inventories after the lengthy downturn. Rebuilding of inventories could add 1.5 percentage points to the growth rate in the current quarter, he said.

The index is usually a reliable guide to economic trends. It dipped between March and April but is now decisively above the 50 per cent threshold indicating expansion in manufacturing. Components of the index pointed almost unanimously to sustained recovery.

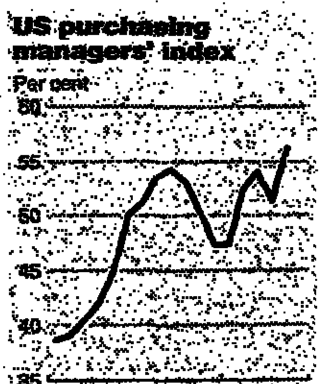
The index for new orders rose to 61 per cent, against 56.7 per cent in April. Indices for export orders, production and prices rose sharply. The employment index also rose significantly, but remained below the 50 per cent threshold indicating growth of jobs.

Other economic data released yesterday were less encouraging, but related to April when the economy seemed to experience a dip.

The Commerce Department said personal income rose only 0.1 per cent in April, the second month of sluggish growth. After allowing for inflation, disposable incomes fell 0.2 per cent. In real terms, personal consumption spending rose 0.1 per cent in April, following a 0.5 per cent decline a month earlier.

Official figures also showed a 0.3 per cent decline in construction spending in April following a strong gain in March. Merchandise trade figures for the first quarter showed a deficit of $17.5bn (£9.7bn) against $18.5bn in last year's fourth quarter.

**US purchasing managers' index**




Source: Datastream

# Political fog descends on the last primary rites

**Jurek Martin** on the uncertainties that lie beyond inevitable wins for George Bush and Bill Clinton

THIS is not the first time that California has held a presidential primary too late to make a difference. But it may be unprecedented that the largest state of the union, the seventh (Ohio), the ninth (New Jersey), and three others (Alabama, Montana and New Mexico) should go through their quadrennial political rites today and attract such little attention.

There are two obvious reasons for this state of affairs. The first is that Mr Ross Perot, the Texas businessman set to run as an independent, is on none of the ballots and his growing legion of supporters will have difficulty registering their preference by writing in his name or voting for uncommitted slates of delegates.

The second is that President George Bush and Arkansas Governor Bill Clinton are assured of the Republican and Democratic parties' nominations respectively. Mr Bush has been over the top in the delegate count for a month, and it is inconceivable that Mr Clinton will not get the roughly 150 more delegates he needs out of the 700 to be awarded today.

There is interest, of course, in the contest in California between Mr Clinton and Mr Jerry Brown, the former California governor. While his campaign briefly flourished in the spring Mr Brown was the favourite out west, but most local polls now give Mr Clinton the edge, although not by much.

The polls also report that Mr Perot would carry California easily if the presidential election were held now. Although write-in votes for him in California today will not be counted because he is not a certified candidate, his supporters could send their message by voting for Mr Brown in the Democratic race or the conservative political commentator Pat Buchanan in the Republican contest.

A loss for Mr Clinton would not be fatal, but it would not help at a time when his campaign is struggling to be heard. Both Mr Jimmy Carter in 1976 and 1980 and Mr Walter Mondale in 1984 lost the California primary – to Mr Brown, Mr Edward Kennedy and Mr Gary Hart in turn – but went on to win the nomination. Mr Clinton must hope that the first of these precedents, in which Mr Carter went on to the presidency, and not the last two, holds good.

Mr Bush's big concern is that his popularity in California, a Republican stronghold in recent presidential elections, has slipped so alarmingly. The state's lagging economy is obviously a factor, an issue he sought to address in his weekend campaign swing.

Fewer pitfalls appear to await the two party frontrunners in Ohio and New Jersey, where neither Mr Bush nor Mr Clinton has appeared much – the same goes for Mr Brown and Mr Buchanan. This is an unusual circumstance for both states, especially Ohio.

Outside the presidential arena most interest centres on the two California races for the US Senate – one for the remaining two years of the term vacated by Republican Pete Wilson when he became the state's governor and the other for the full six-year term to succeed Democratic Alan Cranston, who is retiring.

There is a good chance that two women will win the Democratic primaries. Mrs Dianne Feinstein, the former mayor of San Francisco who ran Mr Wilson close in the 1990 governor's contest, is the favourite today – as she is to defeat in November Mr John Seymour, the Republican who was appointed to replace Mr Wilson.

Ms Barbara Boxer, the feminist congresswoman, faces a tougher contest against Lieutenant Governor Leo McCarthy, the establishment moderate insider, and Congressman Mel Levine, the Los Angeles liberal whose campaign has taken on a sharp law-and-order theme after the city's riots.

Success for Mrs Feinstein and Ms Boxer would be seen as confirming the growth of women's political power.

The congressional candidacy of Ms Jane Harman in the Los Angeles suburbs is being watched for the same reason. Should she win the Democratic primary, she might find herself in November up against Ms Maureen Reagan, the former president's daughter and favourite for the Republican nomination in the district.

Republican Senate fights in California once again pit southern arch-conservatives against northern moderates. Mr Seymour will probably beat Mr William Dannemayer, one of the most reactionary members of Congress, but the contest between Congressman Tom Campbell and Mr Bruce Herschensohn, an outspoken Los Angeles TV commentator, is closer.

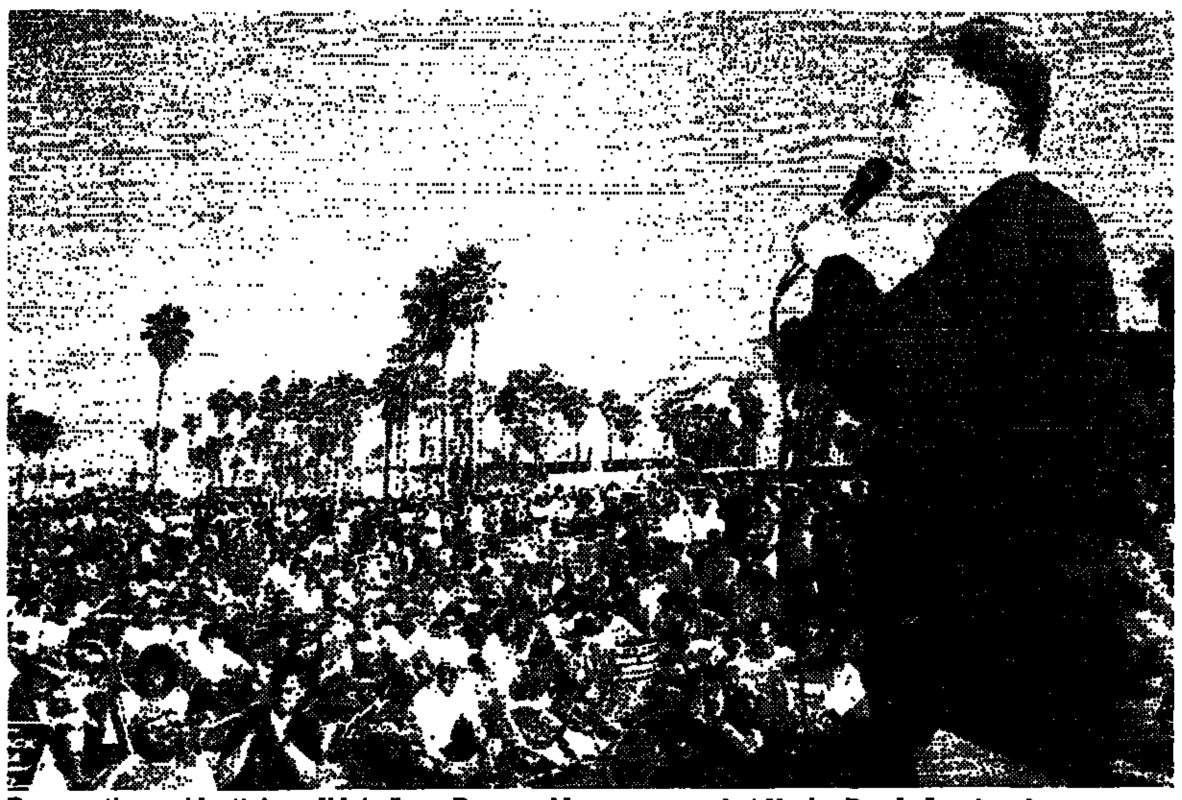
In both races abortion has become a dominant issue. Victories for Mr Seymour and Mr Campbell, both, like Governor Wilson, in favour of choice in reproductive matters, might suggest that Mr Bush's determination to keep the Republicans on an anti-abortion tack is out of tune with majority opinion in his party.

Typically, California also had a fistful of referenda on issues which may have wider ramifications. Perhaps the most controversial is the "Buy America" initiative on the Los Angeles ballot, which would amend the city charter to give procurement preference to California contractors.

Its opponents believe this would deter the foreign investment sought by Mr Peter Ueberroth, who is in charge of reconstruction for riot-ravaged Los Angeles. However, one poll says the amendment will pass.

Elsewhere in the country most interest focuses on the performance of incumbent members of congress, increasingly seen as an endangered species. Typical is the Ohio case of Ms Rose Mary Oakar, whose bid for a ninth term is clouded by the fact that she overdrew her account on the House of Representatives bank more than 200 times.

But nothing in the internal political woodwork of the six states voting today can disguise the fact that, for the moment, the minds of the voters are looking ahead to November and into a political fog more impenetrable than anything which regularly descends on San Francisco.



Democratic presidential candidate Jerry Brown addresses a crowd at Venice Beach, Los Angeles

# Colombia gives asylum to Peru's ex-president

By Sally Bowen in Lima and agencies

THE Colombian government said yesterday that it had granted political asylum to the former Peruvian president, Mr Alan García, who had taken refuge in its ambassador's residence in Lima.

Mr García, president from 1985 to 1990, has been a fugitive since Peruvian President Alberto Fujimori dissolved Congress and suspended the judiciary on April 5.

Mr García's party, the American Popular Revolutionary Alliance (Apra), said it had instructed him to leave the country because his life was in danger. He entered the Colombian embassy on Sunday evening. Last week Mr García made a surprise appearance in one of Lima's shanty towns and was being seen as the main focus of opposition to Mr Fujimori. Colombian radio said Mr García was to be flown to Colombia last night in a private plane.

● Amnesty International, the human rights group, said yesterday that human rights violations had continued in Peru since President Fujimori took power nearly two years ago, writes Stephen Fidler, Latin America Editor. It expressed concern about "widespread 'disappearances' and extra-judicial executions by the security forces".

# Canada's unity talks resuming

CANADIAN federal and provincial officials will spend the next week seeking to break an impasse in protracted national unity talks aimed at forestalling the separatist movement in Quebec, writes Bernard Simon in Toronto.

Talks broke off at the weekend with deep rifts among the nine English-speaking provinces. Failure to break the deadlock soon may leave Mr Brian Mulroney, prime minister, with little choice but to call a national referendum.

Ottawa is keen to present a package of reforms before October when Quebec is scheduled to hold a referendum.

# Mexico retires over $7bn debt

THE Mexican government has cancelled $7.17bn (£4bn) of its foreign debt thanks to successful operations in the secondary debt market in the 2½ years since it reached a debt agreement with its creditors in 1990, said Mr Pedro Aspe, finance minister, writes Damian Fraser in Mexico City.

Debt has fallen from $80bn on March 31 this year to about $73bn, saving some $400m a year in interest payments.

# Dinkins makes a strong sales pitch for the Big Apple

By Ken Warn

IT MUST be a tough job making a sales pitch for the city that attracts the worst press coverage in the world, regularly portrayed as a den of iniquity teetering on the brink of social disintegration.

But Mr David Dinkins, New York City's soft-spoken and mild-mannered mayor, musters all the enthusiasm he can. "I like to try to sell New York 24 hours a day, seven days a week. I'm constantly selling New York. We want to tell European businesses: If your thoughts are for expansion in the US you could not do better than New York City. It's the gateway to America."

Mr Dinkins was in London yesterday as part of a joint effort by the New York City Partnership and the Chamber of Commerce to promote the city as a US base for foreign companies.

The delegation, which moves on to Paris, Frankfurt and Hamburg later this week, was due to see a range of UK businesses, particularly design, retail, financial services, communication and entertainment companies. The visit includes meetings with the London Chamber of Commerce and the Design Council.

"We don't expect to go home with a bundle of contracts," Mr Dinkins told the Financial Times yesterday. "But we believe this an excellent opportunity to convey what a good place New York is to do business."

Setting aside his sales patter, Mr Dinkins is frank about the reasons for his push to heighten international interest. "During New York's financial problems in the late 1980s we realised we had to find ways to expand our tax base. We believe that small businesses – those with 100 or fewer employees – and international involvement provided the way ahead. So this philosophy is not new."

At the same time Mr Dinkins denies that New York is suffering a loss of US corporations to smaller cities or greenfield sites. "It's true that some have left, but it's also true that many have expanded and put more money in – ITT is an excellent example. A lot of companies are coming and going, but we think we net out pretty well."

New York is particularly keen to hang on to Morgan Stanley, the Wall Street investment house which has been pondering a move to Connecticut. Mr Barry Sullivan, deputy mayor for finance and economic development, was in talks with Morgan until just before he left for Europe.

'I like to try to sell New York 24 hours a day, seven days a week. I'm constantly selling New York.'

"We have put an attractive package on the table which we are just finalising," Mr Sullivan says. "I feel pretty good about what the result will be – but it is not decided as we speak."

New York's communications, its status as an international city, tax incentive programmes and declining office rents form the basis of the mayor's appeal to European business.

Mr Sullivan is also eager to dispel New York's image as a city mired in financial crisis. "For three successive years New York has produced budgets on time that are balanced or even in surplus. We work very hard on our fiscal health," he says. Both men believe New York's 10-year $47bn (£26.1bn) capital expenditure programme will go a long way to addressing some concerns over the city's ageing infrastructure that might deter investors.

None the less, Mr Dinkins recognises that selling New York is an uphill struggle in the face of almost ceaseless negative coverage, particularly of its ethnic tensions.

# Rockwell fined $18.5m in nuclear waste disposal case

A US judge yesterday fined Rockwell International $18.5m (£10.2m) for violating environmental laws at a nuclear weapons plant it once operated, Reuter reports from Denver.

It is the largest fine in the US for hazardous waste violations and the second largest under environmental laws, after the $125m fine and restitution resulting from the Exxon Valdez oil spill in 1989.

Rockwell had pleaded guilty to violations at its Rocky Flats plant, near Denver. Judge Sherman Finesilver noted that the fine was the maximum allowed. Three environmental groups told the court last week that closed records of a four-year investigation, which led to the charges, would reveal public officials also violated environmental laws. The company admitted illegal treatment and storage of hazardous wastes and the illegal disposal of contaminated water.

Prosecutors said the Energy Department, which owns the plant, shared the blame.

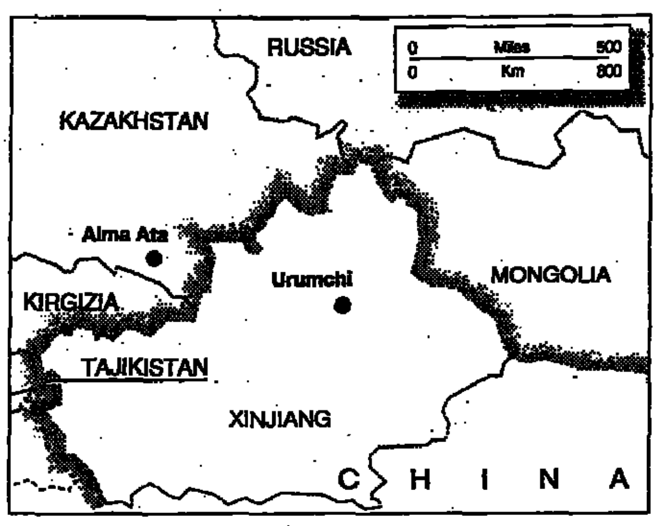
# China returns to 'Great Game' in Central Asia

## Beijing's greatest fear is a rising tide of economic and ethnic turmoil in the emerging states, writes Lilian Craig Harris

AFTER a 50-year break, the "Great Game" has recommenced in Central Asia. The players have changed but, as in in the 19th and early 20th centuries, ethnic separatism and regional security are the issues. Now, as then, Islam provides the focus for political aspirations, and China, a weak player during the era of British and Russian colonial domination, has emerged as potentially the most formidable Central Asian force.

The People's Republic of China is an empire, as any visitor to Xinjiang can readily observe. China's vast north-west province abuts both Mongolia and three of the five new Central Asian republics, while Chinese citizens of Uighur, Kazakh, Uzbek and Tadjik "nationality" live uneasily under Han Chinese control. Most members of the 12 main ethnic groups living in Xinjiang are Moslems who look to Turkey and the Middle East as their spiritual home, not to China, whose control over them has always been tenuous.

But Xinjiang is enormously valuable to China as a buffer against what it fears is a rising tide of Middle Eastern and Central Asian turmoil. Moreover, the agricultural and mineral resources of the region are critical to China's economic development. Six million Han Chinese immigrants, most of whom arrived after 1949, and vast petroleum resources ensure that no Chinese government could consider relinquishing Xinjiang. Chinese officials, political analysts and religious authorities are reluctant to speak about ethnic unrest in Xinjiang or the influence of Central Asia on China's minorities. But nationalist sentiment has been reinforced by independence in Central Asia, as well as by China's "open door" economic policy which, since 1978, has brought increased contacts with the Middle East.




China is deeply anxious about Turkish ambitions among Turkic ethnic groups in Central Asia and about Iranian and Pakistani stimulation for Islamic fundamentalist sentiments. For the Chinese government, "spiritual pollution" wears Islamic as well as western garb.

Pervasive security measures in Xinjiang and the frequent anti-Han "incidents" provide a constant reminder that China faces a growing and long-range problem. Several persons died when a bomb exploded on a bus in February. Further anti-Han demonstrations were reported in several parts of Xinjiang in early March. The mood is sullen, fuelled not only by Han Chinese political ascendancy but by Han assertions of cultural superiority.

For now, Beijing is basing its hopes for stability on economic incentives. Living standards are rising in urban Xinjiang and home use of a larger percentage of the profit from the regions's resources is at least being discussed. China has recognised all five of the new Central Asian republics and is building economic ties with them. But Beijing fears that the Central Asian states may not be economically viable and that present secular governments will not remain long in power.

However, Beijing officials discount fears of Chinese military intervention in the event of serious unrest in Central Asia. How would China react in the face of a flood of economic refugees or crossborder incidents? Beijing officials say that refugees would not be allowed in, and that China "will never interfere in Central Asia, even if asked by Central Asian governments".

Nearly 20,000km of frontier with Middle Eastern and Central Asian states and overlapping ethnic and tribal ties suggest that it will be difficult for China to avoid deeper involvement. But at the same time there is little doubt China would prefer a passive political and military role, one which does not undermine its self identification as a champion of the developing world.

There are signs, nonetheless, that China's West Asia policy is in transition. Despite its suspicions or perhaps because of them, Beijing is reaffirming economic and military links with Iran and Pakistan in what could emerge as a quasi-alliance with the Middle East's northern tier. In January, moreover, China formalised relations with Israel, a state with long if frequently clandestine ties to Pakistan and Iran. The present plethora of Israeli delegations to China and contacts with the Central Asia republics underscore Israeli interest in inserting itself into the equation.

Should Central Asia collapse, under the pressure of economic problems and religious aspirations, the impact on China, the Middle East and even on Europe through Turkey would be severe.

The strongest power in Central Asia has always filled the vacuum. China, which is already more active economically in the region, may find itself drawn into a broader political, perhaps even military, role.

This is not something western governments or those of surrounding states would view with equanimity.

*The author, recently in Xinjiang, has just completed a book on China's relations with the Middle East.*

# Business in Thailand urges new elections

**By Victor Mallet in Bangkok**

THAILAND'S private sector called yesterday for the dissolution of parliament and new elections in an attempt to break a political deadlock following the killing last month of at least 48 pro-democracy demonstrators.

The Federation of Thai Industries, the Board of Trade of Thailand and the Thai Bankers' Association made their appeal after a meeting yesterday to discuss the political crisis. The three groups acknowledged that the country's image had been tarnished by the clashes between soldiers and demonstrators but expressed confidence in the future of the Thai economy.

Elections were held in March this year, a year after Gen Suchinda Kraprayoon, the then armed forces chief, overthrew the previous elected government on the grounds that it was excessively corrupt.

Five pro-military parties formed a government and eventually chose Gen Suchinda as prime minister, outraging liberals who took to the streets to demand a reformed constitution and an end to military influence in politics.

Gen Suchinda was forced to resign, leaving the five discredited coalition parties casting around for a replacement. In their statement yesterday, the three private sector organisations said they wanted an interim government followed by new elections because the present situation did not favour the formation of "a permanent government that is of good quality, stable and acceptable to the public at large".

Last night Mr Arthit Urairat, the president of the Thai parliament, said he was postponing the search for a new prime minister until after the constitutional amendments demanded by the opposition had passed their final reading in parliament on June 10.

Another unresolved issue arising from the violence is the fate of an amnesty decreed by Gen Suchinda shortly before he quit. Opposition groups have challenged the amnesty and referred it to the Constitutional Tribunal because it covers military officers who ordered the killing as well as demonstrators.

# Germany breaks link of pollutants and growth

**By Christopher Parkes in Bonn**

DRAMATIC reductions in pollutant emissions in western Germany demonstrate clearly that "consistent policies can break the link between economic growth and environmental damage", Mr Klaus Töpfer, environment minister said yesterday.

As delegations converged on Rio de Janeiro for the start tomorrow of the Earth Summit, West Germany revealed that between 1970 and 1989, when its gross domestic product rose 56 per cent, emissions of sulphur dioxide, dust and carbon monoxide had fallen 73 per cent, 75 per cent and 43 per cent respectively.

Despite the inclusion of the former East Germany in the latest reckonings, output of carbon dioxide had continued to fall: from 1,064m tonnes in 1987 to 997m tonnes in 1990 and 980m tonnes in 1991, the minister added.

Speaking at the launch of the first environmental audit of united Germany, Mr Töpfer attributed improvements in the east to the prompt closure of outdated factories.

However, he said, there was still room for improvement. Increasing road traffic had led to a 12.5 per cent increase in emissions of oxides of nitrogen (NOx). Difficulties were emerging as more east Germans bought cars and as improved roads in the east prompted industry to switch from rail and river transport to lorries.

Backed by Mr Heinrich von Lersner, president of the federal environment office, he proposed stricter monitoring of lorry speeds on German roads. Heavy fuel consumption in trucks was tending to cancel out advantages won by installing "scrubbers" on power stations and catalysers on cars.

Family cars were also still using too much petrol – an average of more than 10 litres per 100km – and Mr Töpfer called on manufacturers to reduce this to around 6 litres by 2005. He refused to comment on proposals that vehicle fuel consumption and pollution could be greatly reduced by imposing a motorway speed limit of 130kmph.

However, while the sulphur dioxide content of the air in the heavily-industrialised Ruhr region in the west had fallen from 250 micrograms per cubic metre to less than 50 in the past 20 years, in Leipzig, in the east, it was still as bad as in the Ruhr 30 years ago, he said.

● East Germany's obsolescent chemicals industry, one of the largest employers in the region, has been granted more than DM600m (£204m) by the Treuhand agency as part of a DM2bn programme this year to clean up the massively-polluted production sites, writes Leslie Colitt in Berlin. The Treuhand hopes the investments of DM338m in the Buna company and DM293m in the Leuna company will improve chances of attracting wary western investors.

Mr Franz Wauschkuhn, an agency spokesman, said the money would be used to clean up environmental damage caused by the previous use of brown coal as a feedstock, as well as for water purification and repairs to machinery.

A French-German consortium of Elf Acquitaine and Thyssen Handelsunion is to build a refinery at the Leuna site near Leipzig, but no investors have been found for its chemicals production.

Convicted Nazi war criminal John Demjanjuk entering the Israeli Supreme Court in Jerusalem wearing manacles yesterday for his appeal against his conviction of being 'Ivan the Terrible', the gas chamber operator at the Treblinka concentration camp

# Japan to lend $300m to Brazil

**By Christina Lamb in Rio de Janeiro**

THE JAPANESE Exim Bank yesterday signed a protocol for $300m (£167m) in loans to Brazil – its first lending to Brazil in more than seven years.

The first loan for $50m will be for the control of industrial pollution in a co-financing agreement with the World Bank. A further $250m will be destined to financing private sector companies with the object of promoting exports from a co-financing project with the Inter-American Development Bank.

Mr Denot Medeiros, head of the international division of the Brazilian economy ministry, said: "This is a firm signal that Brazil has really re-entered the international financial community." He said it was particularly symbolic that the protocol was came on the eve of the Earth Summit.

Mr Medeiros said that the Brazilian government was negotiating a further 10 projects with the Exim Bank for signing over the next 18 months with an additional value of more than $1bn.

# Korean banks impose curbs on Hyundai

THREE BANKS yesterday announced credit controls on the Hyundai conglomerate for funnelling what they called illegal loans to its founder, presidential candidate Chung Ju-yung, AP reports from Seoul.

Hyundai's main lenders imposed the restrictions on 13 Hyundai subsidiaries because of their failure to call in loans provided to Chung and his family. The banks said the loans were illegal because they were not for business purposes.

Among the 13 subsidiaries are the group's flagship, Hyundai Motor, along with Hyundai Heavy Industries and Hyundai Engineering and Construction.

Korea Exchange Bank, the main creditor of the three, said that the subsidiaries defied the banks' order to call in $33.5m (£13m) in loans to Chung and his family by the end of last month. It said they would be denied the same amount in new loans or the renewal of old loans. Bank approval for investments in new projects or real estate purchases would also be suspended.

Yesterday's development was the latest move in a battle between the government and Hyundai, whose founder heads the country's second largest opposition party. Following the 76-year-old billionaire's entry into politics early this year, the government began a series of tax probes and credit controls against Hyundai, saying that Hyundai funds were flowing to Chung's party for political purposes.

Last week, a Hyundai executive was prosecuted and Chung was warned by the government in a case of alleged illegal stock trading. Chung's son and two advisers were arrested in April on charges of evading taxes.

The government has contended that Chung and his family misused bank loans and traded stocks illegally to funnel funds into his party. Chung, however, claims he has severed ties with Hyundai and all his political funds come from his personal assets, estimated at more than $3bn.

Last month, Chung was nominated as his party's candidate for presidential elections at the end of this year.

## NEWS IN BRIEF

# Aid pledges grow for southern Africa

HUNDREDS of millions of dollars have been pledged to alleviate southern Africa's drought, relief officials said yesterday, Reuter reports from Geneva.

"The menace of widespread suffering and death which hangs over southern Africa is no abstract issue, no idle concept," the United Nations under-secretary for humanitarian affairs, Mr Jan Eliasson, told the opening session of a two-day aid conference.

The UN and southern African nations, excluding South Africa, organised the conference to gather responses to a joint appeal they made last week for $835m (£464m) for one of the region's worst droughts.

Pledges announced yesterday were difficult to sort out since some of the figures included already scheduled aid, but it appeared more than half the appeal had been met. The US announced it was giving $382m in drought relief on top of normal development assistance of about $275m. The European Community announced it was giving $276m in food aid, about half of which was in addition to normal aid.

## Manila to speed poll count

The Philippines authorities yesterday agreed to speed up the lengthy vote counting in the presidential election, Reuter reports from Manila. Since beginning the official vote count last Thursday, the legislature has tabulated results from only 12 of the country's 73 provinces and from only one of 21 cities. An estimated 25m people voted in the election.

"We're getting to be very impatient," said Mr Raul Goco, lawyer for former defence secretary and self-declared winner, Mr Fidel Ramos. Anti-corruption crusader, Mrs Miriam Santiago, leads in the official count with 445,767 votes followed by a business tycoon, Mr Eduardo Cojuangco, with 401,932. Mr Ramos is in third place with 330,251 votes.

## Moi blames west for low growth

Kenyan President Daniel arap Moi yesterday blamed western governments, who have suspended aid, and donors pressing for economic and political change, for his country's dismal economic performance, Reuter reports from Nairobi. Donors suspended aid to Kenya for six months in November, saying it would be reviewed after they were satisfied that economic and political were taking place.

The government's annual economic survey last week said growth of real Gross Domestic Product adjusted for inflation slowed to 2.2 per cent from 4.3 per cent in 1990 and from 5 per cent the previous year.

# Iraq condemns UN border proposals

**By Roger Matthews, Middle East Editor**

IRAQ WARNED yesterday that UN proposals for a new border with Kuwait would "create a permanent nucleus for tension" in the region.

Mr Ahmed Hussein al-Samaraei, the Iraqi foreign minister, said yesterday in a letter to Mr Boutros Boutros Ghali, the UN secretary-general, that "the decisions taken by the Iraq-Kuwait border demarcation commission are illegitimate and constitute a dangerous precedent in the history of the international organisation".

The findings by the commission, which have yet to be ratified by the Security Council, recommend returning to Kuwait the land at Umm Qasr on which Iraq has during the past 20 years built a naval base. Three jetties used by the Iraqi navy would revert to Kuwait but the deep-water commercial port will remain in Iraqi hands.

In addition, the UN commission has recommended that a strip of territory in the Rumailah oilfield containing several producing wells should be given back to Kuwait. Iraq accused Kuwait of illegally taking oil from the field shortly before its invasion in August 1990.

At both Umm Qasr and Rumailah the UN commission found that Iraq had since 1963 encroached on what was Kuwaiti territory. Had Kuwait chosen to press its case more strongly for a further portion of the Umm Qasr port it is likely that the commission would have found in its favour.

Iraq's limited access to the sea has been a cause of repeated conflict with its neighbours. In September 1980 it abrogated the 1975 Algiers agreement with Iran on the joint use of the Shatt al-Arab waterway just before launching its eight-year war with Tehran.

Iraq's warning to the UN yesterday indicates how the commission's findings on the border with Kuwait will be used by President Saddam Hussein as a nationalist rallying point and as a further example of his contention that his country's troubles are primarily the responsibility of the western powers.

# Brain surgery for Arafat

THE chairman of the Palestine Liberation Organisation, Mr Yassir Arafat, underwent a 90-minute operation yesterday to remove a cerebral blood clot caused in the impact of an aircraft crash in April, Reuter reports from Amman.

Major General Youssef Qussous, a director at Jordan's King Hussein Medical Centre, said the PLO leader's condition was good after the operation there. Mr Arafat, 62, was operated on after entering hospital complaining of severe headaches.

He is expected to be released in three or four days.

Gen Qussous, a senior cardiologist, said the blood clot was caused by the impact of the crash.

The PLO leader's aircraft crash-landed deep in the Sahara desert during a sandstorm, killing three crew members. Mr Arafat was back at work six days after the crash.

# De Klerk visit to Russia puts end to decades of antipathy

**By John Lloyd in Moscow**

MR F W de Klerk yesterday used the first state visit of a South African president to Russia since the war to declare that "we have turned our back on apartheid and will not return to it".

He denied that the stalemate in talks on reform of the South African constitution was because "the whites are demanding a constitutional veto". He said that the search for a new constitutional basis for the republic was "to create through negotiation not a win-lose situation, but a win-win situation".

The South African president's visit officially ended decades of polemics between the Soviet Union and South Africa, during which Moscow supported the South African Communist party with large cash injections and – according to documents published over the weekend by the daily Izvestia – prompted it to attempt an armed uprising in the 1930s.

Mr de Klerk said that he had come to Russia "because communism is dead – I would not have come before that and would not have been welcome before that".

In spite of this perception, his visit has been criticised by pro-Communist deputies in the Russian parliament – while the African National Congress has also criticised his trip, and said it would oppose a visit by Mr Boris Yeltsin, the Russian president, and any other foreign leader while the apartheid system still operated.

South Africa restored diplomatic relations with Russia in February. Mr de Klerk announced a "modest" credit line of R100m (£19.4m) to assist trade between the two countries.

Russia and South Africa, as the world's two main gold and diamond producers, have a strong mutual interest in their price levels. The president denied, however, any intention of pursuing a cartel in either, referring journalists to Mr Harry Oppenheimer, the former chairman of Anglo American Corporation, the large South African mining group.

The two presidents signed a communique stressing the need to ensure democratic elections in Namibia and to reach a ceasefire in Mozambique.

Mr de Klerk said that he envisaged South Africa becoming the "hub" of an economic union of 11 to 12 Southern African states, including Namibia and Mozambique, with "exciting prospects" for economic development.

# Bankruptcies in Japan double in 1991

**By Emiko Terazono in Tokyo**

JAPAN'S individual bankruptcies soared to 23,491 in 1991, double that of the previous year, reflecting sharp increases in insolvencies because of consumer loans.

The figure, compiled by the Management and Co-ordination Agency, also reflects a surge of defaults on credit card loans and purchases by the younger generation.

Individual bankruptcies, have become a social issue with many older Japanese shocked as traditional frugality has given way to materialism.

According to the Japan Credit Counselling Association, consumers in their 20s accounted for 49 per cent of assistance given in 1990.

Credit extended to Japanese consumers during 1991 through consumer loans and credit card purchases totalled an estimated Y65,600bn, (£280bn) three times higher than 10 years ago.

Credit card companies have yet to reach agreement with the government on methods of implementing stricter checks on credit information.

● Japanese vehicle sales fell in May for the 13th month in succession, compounding fears that the end of the recession is not yet in sight for the hard-pressed Japanese motor industry, Stefan Wagstyl writes.

Sales dropped 12.3 per cent from a year before, the biggest decline since 1984.

The decline was particularly severe for small passenger cars, for which sales fell 19.5 per cent.

# Multinationals' cross-border trade surges

By David Dodwell, World Trade Editor

FOREIGN direct investment and cross-border trade within multinationals have surged in the past decade, transforming the shape of international trade and leading to "global integration of manufacturing", a World Bank report says.

International trade inside the world's largest 350 multinational companies accounts for almost 40 per cent of world merchandise trade, which in 1990 amounted to $3,485bn (£1,936bn), the bank says in its 1992 report on Global Economic Prospects and the Developing Countries. More than a third of US trade in 1990, which amounted to $887.2bn, was between US companies and their overseas affiliates. A quarter of the purchases of Japanese companies is from affiliates based in east Asia, while one-third of the affiliates' purchases is from parent companies in Japan.

The report reveals that in the early 1980s, almost half Singapore's exports was by US-owned companies; over half Malaysia's exports to the US was from affiliates of US companies. Taiwan's five top electronics exporters are US-owned. "However, the pace of global integration in manufacturing production appears to be slowing partly as a result of protectionism."

Underpinning this integration has been an unprecedented rise in foreign direct investment. After "unremarkable" growth up to 1982, foreign investment grew five-fold to average over $125bn a year between 1985 and 1989. The EC accounted for 47 per cent of this. The EC, US and Japan together accounted for 80 per cent. Among non-OECD investors, Singapore, Hong Kong, Taiwan and China "played an increasingly important role" in the late 1980s.

Comparatively few countries have benefited from these investment flows, the bank shows. High-income countries benefited most, winning almost 80 per cent of the total. Of the $24bn going to developing countries in 1989, five states took 80 per cent: China (24 per cent), Brazil (18 per cent), Mexico (17 per cent), Egypt and Malaysia (10 per cent each).

# French share in railway order for Bratislava

**BRATISLAVA, capital of the Slovak republic, has awarded a FFr3bn (£300m) contract to a consortium of two French companies and local partners to build a driverless commuter railway for the city, William Dawkins reports from Paris.**

**Matra, the French transport and defence electronics group, will supply its Véhicule Automatic Léger (Val) system, first installed in Lille in 1983. Val has since been sold to Paris, for a link opened last year between Orly airport and the nearest regional rail station. A Val line is in use in Jacksonville, Florida, with others being built in Toulouse, Chicago and Taipei.**

**Work on the Bratislava line starts at the end of this year and will be handled by a Franco-Slovak group led by Campenon Bernard, the French engineering company. Some 300 Slovak contractors will perform some 40 per cent of the work, including building and power supply.**

**The 7.5km line, the first French infrastructure project in eastern Europe, will run under the Danube to link the two halves of the city, carrying 17,000 passengers an hour each way.**

# Cartels prove a hard nut for Japan to crack

## Anti-monopoly body meets its match in construction sector, Robert Thomson reports

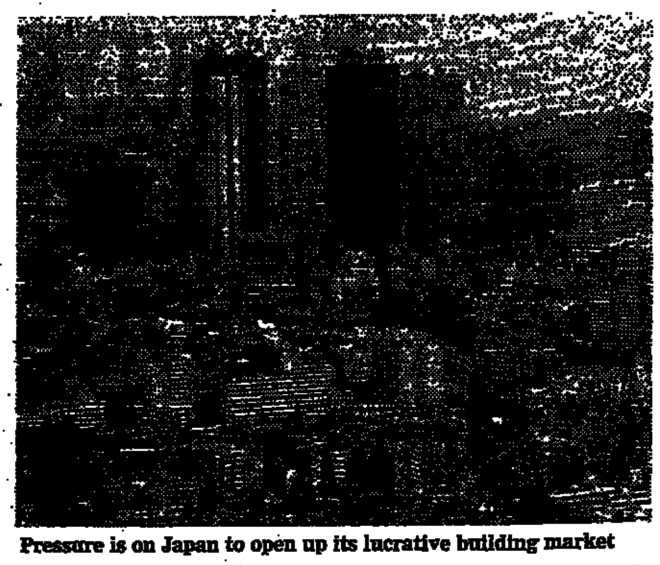
WHEN the investigators from the Fair Trade Commission (FTC) raided Japan's leading construction companies last year, there was a collective disbelief that the commission would dare to dismantle the cosy relationships in the country's most politically-influential industry.

But, a week ago, when the commission decided not to prosecute 66 construction companies for the self-confessed rigging of bids and fixing of contracts, there were knowing nods that the anti-monopoly body had finally met its match. It seemed the ruling Liberal Democratic Party (LDP) had drawn a political line which the investigators cannot cross.

Apart from bruising the FTC's reputation, the case aroused interest in Washington, which has negotiated a pact providing better access for foreign contractors in Japan's construction market. The US is especially interested in *dango*, or cartels, which it believes are rife in the construction industry and common in corporate Japan. In this *dango*, the 66 contractors routinely rigged bids for government projects worth Y81bn (£346.15m) in Saitama Prefecture, part of Greater Tokyo. They agreed among themselves which company would win a particular contract, then ensured all bidders were above the cost estimate submitted by that company.

While government officials argue such cases are a rarity, the construction companies have publicly supported the concept of arguing it provides stability and enables smaller companies to compete. For fear of trade friction, these opinions are now kept private, but they are deeply felt. The US had a close-up view of the workings of *dango*, when it was found that 145 construction and related companies had rigged bids for 178 projects at a naval base near Tokyo in the late 1980s. Just over 100 of those companies have agreed to pay a total of Y4.7bn in compensation to the US government.

In the present case, the punishment has been little more than a wrist-slap. The FTC has issued a "cease and desist" order, and last week, representatives of the 66 companies appeared before the Ministry of Construction, which said 63 would be forbidden from bidding for select government projects for a month and three others for two months. The ministry is commonly perceived to represent the interests of the industry, and the post of construction minister is sought after by LDP parliamentarians, who rely heavily on the industry as a source of funds. The LDP has a construction "tribe" of politicians, many of them from the party's largest faction, who ensure a steady flow of lucrative projects in their own electorates.



Pressure is on Japan to open up its lucrative building market

Later this week, the ministry is likely to issue a formal instruction to the companies on the lines of the FTC's "cease and desist" order. But an official admitted the month's suspension of bidding would have little impact on the companies concerned. "We are fortunate that the period April-June generally has few big projects. If we had to impose this penalty during July or August, it would have been a disaster," he said. The LDP argues that tougher penalties imposed on the construction *dango*, or a long court case, would have damaged the expected recovery of the economy. Although the 66 included most of the industry leaders, including Taisei, Kajima and Kumagai Gumi, other contractors and, perhaps, a few foreign companies might have wanted the work.

Both Kajima and Taisei expressed "regret" for having been involved in bid-rigging, saying they would "strengthen their management systems" to ensure it does not happen again. The implication of the apologies is that this bout of "dango" was an exception and not the norm, as Washington suspects. FTC officials are disappointed that the failure to prosecute has been generally interpreted as the commission buckling under political pressure. The commission, which has drawn praise from Washington for its extra vigilance in the past two years, argues that the Japanese legal system made a criminal prosecution virtually impossible.

"Under Japanese criminal law, we would have had to prosecute an individual, not a company; it was felt we would not win in this case. It's hard to win," an FTC official said. Criminal charges, the first in 17 years, were filed in November against eight plastic wrapping makers controlling 97 per cent of the market, whose executives admitted they regularly held meetings to discuss market trends and plan price increases. The FTC official insisted further prosecutions would ensue, and the commission's interest in the construction "dango" has not waned.



# Eurofer concerned at steel from E Europe

By David Buchan in Brussels

EUROFER, the European group of steel producers, yesterday told the European Commission it was worried about rising steel imports from eastern Europe, particularly Czechoslovakia.

Czechoslovak steel shipments rose 126 per cent in the first third of this year, against the same period of 1991, a Eurofer official claimed. Eurofer yesterday discussed with Mr Frans Andriessen, EC external affairs commissioner, the lack of a new Gatt steel code which has prompted two US complaints of dumping against EC exporters.

The Commission says it will try to use the conciliation mechanism of the EC's new association agreement with Czechoslovakia before launching any investigation. Earlier this month, Czechoslovakia conceded that the removal of all EC quotas and virtually all tariffs on March 1 had led to a surge in its steel exports, and promised to try to re-target these away from Germany, Italy and Greece, which had taken most of the impact.

Czechoslovak diplomats in Brussels say they have been trying to persuade companies to use tariff cuts to increase their profit margin, rather than sell at lower prices and increase market share. The Czech steel issue is one of many tensions likely to arise in the wake of the EC's new trade pacts also covering Poland and Hungary.

The Commission yesterday published a report on its anti-dumping activities in 1991, showing investigations opened during the year fell to 20 from a record 43 opened in 1990. But the rate of new investigations has picked up this year.

The EC executive maintains that, in launching these investigations, it responds mainly to what it sees as unfair trading practices abroad, rather than protectionist pressures at home. Thus, 11 of the 33 investigations concluded last year were dropped, 19 ended in duties, and in three, foreign companies agreed to raise prices. One of the year's biggest cases ended in Japanese exporters of DRAM and EPROM computer chips being hit with a 94 per cent duty and undertaking to obey a reference price. At the time, the Commission was criticised for putting chip-users in the EC at a disadvantage.

**EC External Relations Commissioner Frans Andriessen urged Seoul yesterday to stamp out discriminatory taxes on imported liquor, Reuter reports from Brussels. "We are unhappy about the matter and would like to see this corrected," his spokesman said. Mr Andriessen had raised the issue with South Korea's Deputy Foreign Minister Kak-Kyu Choi, but received no guarantees the system would be changed.**

# Western donors urged to ease aid conditions

WESTERN donors seeking to encourage private investment in east Europe and ease transition to market-oriented democracies should relax aid conditions and streamline disbursements, says a report* on aid to central Europe by the New York and Prague-based Institute for East-West Studies, Anthony Robinson reports.

Aid commitment figures were often misleading. This was highlighted at a recent EC-sponsored conference on aid to the former Soviet Union. The EC estimated western donors had pledged $86bn (£48.5bn) to former Soviet republics, but only part has been disbursed.

Group of 24 nations have pledged $27bn to central Europe but only 2 per cent of Czechoslovakia's share was disbursed in 1990; Hungary received 17 per cent, and Poland 27 per cent. Such gaps are partly because most aid was not available for discretionary spending or activated only when recipients met contractual obligations. Over SDR1.1bn set aside in 1990 to compensate for higher oil prices was not fully used because expected trigger prices were not maintained.

Figures quoted for aid generally refer to pledges over the life of projects, often running several years. Credits or grants are often used to encourage companies or non-profit bodies to invest or provide services, but where recipients gain only a part of donors' spending. Except the EC's PHARE technical aid programme and UN funded programmes, credits were usually offered on commercial terms, ensuring many credit lines stay under-utilised.

It was often impossible to distinguish between components of an aid package, but in most cases the concessional element was below the 25 per cent required to qualify technically as "aid". Slow disbursement of foreign aid was also a function of the low absorption capacity of countries with fledgling banking and credit systems and inexperienced, if fast-growing, private sectors. The report urges a more flexible approach to debt management, better aid co-ordination and more technical assistance to increase aid absorption. "Conditionality should be redefined in the light of recipient governments' commitment to political and market-oriented reforms if a deep financial crisis of a Latin American type is to be avoided."

* *Beyond Assistance. IEWS. 360 Lexington Ave, New York, NY 10017.*

# Lamont faces EC pressure on tax rates

By David Marsh
European Editor

MR NORMAN Lamont, the chancellor of the exchequer, yesterday came under strong pressure from the European Commission to abandon Britain's policy of refusing to accept legally binding minimum rates of value added tax throughout the EC.

The Treasury signalled that it would be prepared to face a clash with the Commission rather than give in over the issue. Mrs Christiane Scrivener, EC commissioner responsible for fiscal policy, warned that Britain would face a "hard time" unless it agreed a compromise before the end of the month.

She was speaking after talks with Mr Lamont in London called to prepare the next EC finance ministers' meeting in a week's time. Mr Lamont used the talks to reaffirm Britain's firm line not only on VAT but also on excise duties on spirits sold throughout the EC.

Underlining a toughening of months-long sparring over indirect taxation, Mrs Scrivener hinted that Britain might put into jeopardy its hard-won right to maintain zero VAT on a range of everyday goods.

The Treasury flatly contradicted Mrs Scrivener's implicit threat that the zero rate exemption might be at risk. Britain's zero VAT rates were guaranteed under the EC's 6th VAT directive, which could only be changed by unanimous decision of finance ministers, the Treasury said.

The VAT tussle goes to the heart of Britain's desire to maintain maximum fiscal policy freedom in spite of growing economic integration with the rest of the Community. Mrs Scrivener said she was none the less hopeful that a solution could be found before Britain takes over the Community presidency in a month's time.

Britain has agreed Commission plans for a Community-wide minimum VAT level of 15 per cent to come into effect with the establishment of the single market. But the UK has refused to enshrine the measure in a legally binding EC directive.

At yesterday's meeting with Mrs Scrivener, Mr Lamont repeated that Britain's opposition to this point was a question of "principle". Britain's VAT rate of 17.5 per cent is above the planned 15 per cent minimum. In a remark which seems to reflect the feelings above all of the Luxembourg and Belgian governments, she said, "Some people are furious."

# Bank issues warning on overseas merger bids

By Robert Peston in Toronto

THE BANK OF England yesterday issued a warning on the dangers of buying overseas banks and the problems involved in developing pan-European operations.

The management and cultural impediments of adopting either of these strategies "appear...to be overly daunting", according to Mr Brian Quinn, the Bank director in charge of supervision. He was speaking to the chairmen of the world's biggest banks at the International Monetary Conference in Toronto.

This year's IMC chairman is Mr William Purves, chairman of Hongkong and Shanghai Banking Corporation, the Far East bank which is trying to buy Midland Bank of the UK.

Mr Quinn said cross-border deals similar to the one proposed by Hongkong Bank would remain few and far between. He also said it was "unlikely that we will see any pan-European retail or wholesale bank or securities company establish in the near future".

But Mr Quinn pointed out that banks of different nationalities are on the other hand tending to form looser alliances, which take the form of sharing businesses, or taking minority shareholdings in each other or being jointly represented in some countries.

He was, however, sceptical about the benefits of these alliances: "They appear to owe more to defensive or protective sentiments than to a clearly articulated strategy".

In a separate speech, Mr Toyoo Gyohten, the Japanese former vice-minister of Finance for International Affairs and an adviser to the Bank of Tokyo, said the losses faced by Japanese banks should not pose a great risk to the international financial system. "Some of the small and weak [Japanese] institutions may eventually fail," he said.

He also said the outlook for non-bank financial institutions "which are heavily locked into property lending" is poor. But he pointed out that Japan's 21 biggest banks, which together account for 70 per cent of all lending by Japanese banks, hold between them 7 trillion yen in non-performing loans, which are loans on which interest payments are more than six months overdue. That 7 trillion yen represents 2 per cent of all their loans and compares with their aggregate capital resources of 40 trillion yen.

● Manchester is to offer its historic Free Trade Hall to house the European Central Bank. The hall is the home of the Hallé Orchestra, which is moving to a new concert hall in the next two years.

Manchester announced its intention to bid for the bank in November. A working party of Manchester Financial and Professional Forum and the city council is preparing to raise funds for a formal bid.

# Major plans to roll back Brussels 'red tape'

By Philip Stephens,
Political Editor

A CAMPAIGN to roll back "unnecessary regulation" by Brussels was yesterday promised by Mr John Major as he set out his priorities for Britain's presidency of the European Community in the second half of this year.

In a speech to a business audience in Scotland the prime minister also pledged to work "unceasingly" for a wider Europe which would embrace eventually the emerging democracies of Eastern Europe.

His appearance in Scotland marked the first in a post-election series of visits north of the border designed to fulfil a pledge to make government from Westminster less "remote" from the people of Scotland.

But while reiterating his promise to "take stock" of the pressures in Scotland for more self-government, he reaffirmed his absolute opposition to legislative devolution.

Attacking the "narrow nationalism" of the SNP (Scottish Nationalist Party), he warned that devolution would be a "step half-way across a chasm".

He linked Scotland's past and future prosperity to the role that Britain played in the EC. Separation would relegate Scotland from the heart of Europe to, at best, its outer fringe, depriving it of investment and influence.

Mr Major, who used a trip to central Europe last to back the claims of Poland, Czechoslovakia and Hungary for EC membership, said that a wider Europe was vital to the peace and prosperity of Europe. "It is not an optional extra. It is essential. And I will work unceasingly for it", he said.

He insisted that the government would not be content with arguing its corner defensively in the Community but would instead set out its own vision of the future.

Britain would take as its starting point that "the cardinal principle of the Community must be the free market." It would use its presidency to ensure that the single market was completed and then move on to try to limit the burdens which the EC placed on business.

In an allusion to the principle of "subsidiarity" which the government insisted was written in to the Maastricht Treaty, Mr Major added: "I want to take back from Brussels decisions on issues that do not need to be taken at Community level. We have long fought interfering regulation at home; it is now time to take our campaign into Europe".

## New power house for London's bright lights

BENEATH London's famous West End Steve Flint, an electrical fitter, puts the finishing touches to a 132,000 volt cable tunnel leading to a new power station built to meet the growing demands of the capital's entertainment district.

Soon the first electricity from the complex built below Leicester Square Gardens, close to Piccadilly Circus, will be fed to local businesses and homes throughout London's theatreland.

The construction project has taken several years and was designed to prevent traffic congestion in the heart of the West End at ground level and protect the environment in neighbouring streets.

The substation's contractor Taylor Woodrow has been commended for its work by Westminster City Council.

# University gains more control over top business school

By Ian Hamilton Fazey,
Northern Correspondent

PROFESSOR Tom Cannon resigned yesterday as director of Manchester Business School, clearing the way for controversial plans by Manchester University to change the structure of management research and education in the city.

The plans have already caused 14 private sector representatives to resign from the business school's council and demand a government inquiry, but with Prof Cannon no longer available to lead the fight for greater autonomy from the university the demand is unlikely to be met.

Prof Cannon and the university agreed a statement to defuse the blow to the university's prestige caused by the high-level resignations – led by Sir Dennis Landau, chief executive of the Co-operative Wholesale Society, and several leading business figures.

The university plans to federate the management education and research activities of the business school, the University of Manchester Institute of Science and Technology (Umist) and the university's department of accounting. The ordinance will in effect remove what autonomy the business school has and abolish its council.

The school says the university does not understand the relationship needed between public and private sectors in management education. The university said in the joint statement that its relations with the school have been problematic for many years. It says they were forced into new prominence by the Educational Reform Act, which required the university to define clearer financial accountability.

In what amounts to a public testimonial for Prof Cannon, the university says he doubled the size of the school, attracted record numbers of postgraduate students, improved the quality if its research, enhanced its academic reputation, and achieved two years of record profits.

Prof Cannon will research corporate governance and responsibility and hopes to develop a new approach, building on lessons learned from the collapse of the Maxwell empire, BCCI, Polly Peck and Barlow Clowes.

*LLOYD'S OF LONDON*

# Council to consider rescue plan for loss-making Names

By Richard Lapper

THE LLOYD'S COUNCIL – the insurance market's governing body – will consider a possible bail-out plan for the hardest hit Names at its monthly meeting on Wednesday but there is still no certainty that it will adopt such a plan, Lloyd's said yesterday.

Advised by the merchant bank SG Warburg, an *ad hoc* Council committee, headed by deputy chairman Mr Dick Hazell, and consisting of about six other council members, has been considering possible schemes over the past few weeks.

The sub-committee will need to make concrete recommendations to the Council tomorrow if any scheme is to be ready for the June 24 annual general meeting of Lloyd's Names, the individuals whose capital underwrites the market. But the committee is understood to be some way from completing its work.

Lloyd's said yesterday that final solvency figures for 1989, which give an exact idea of the extent of each Name's individual losses, were still not completed.

Moreover the adoption of a plan is likely to be dependent on the approval in a ballot of the market's 22,400, who look set to meet the bulk of its cost by means of a special levy.

Although a majority of the agencies – which manage syndicates and handle the affairs of Names – favour a bail-out plan, large numbers of the 22,400 Names are far less enthusiastic.

It is thought unlikely that agencies themselves will contribute to any scheme, a number of brokers have categorically ruled out providing help.

"If we pay to bail-out Lloyd's it would be setting a precedent. We would need to help companies that are in difficulties," said one broker last week.

Also on the agenda at Wednesday's meeting will be the implementation of a number of task force recommendations designed to increase the capacity of Lloyd's by allowing syndicates to combine more easily with insurers from outside the market.

## Britain in brief

### Heseltine urges lower pay deals

Pay restraint was vital if Britain was to maintain its competitiveness, according to Mr Michael Heseltine, president of the board of trade.

In a speech attacking manufacturing wage rises for running at twice the rate of inflation, Mr Heseltine said lower pay settlements were vital if Britain was to "build on the increase in competitiveness which we achieved in the 1980s."

He complained that manufacturing earnings were rising by an average of 8 per cent, almost double the inflation rate. "Compared to the UK's 8 per cent, the increase in earnings in manufacturing in Germany last year was 6 per cent, in Japan 4 per cent and in the US just 3 per cent," Mr Heseltine told a London conference of business leaders.

### BBC criticised by watchdog

The BBC has been criticised by the Monopolies and Mergers Commission for excessive on-air promotion of its products.

A MMC report sent to the Department of Trade and Industry, calls for a much stricter code of practice to govern on-air promotion by the corporation.

The DTI is expected to accept the recommendations of the body that investigates potential anti-competitive practices. The year-long investigation was prompted by the Sadler Report on cross-media promotion which in March 1991 accused the BBC of "blatant distortion of competition" in the promotion of its magazines on television channels.

### Solicitors face insurance levy

Solicitors in England and Wales face a special levy of more than £1,000 this autumn on top of their annual insurance premiums to meet a huge increase in professional fraud claims.

The Law Society, the solicitors' governing body, is also proposing to introduce tough restrictions on the right of solicitors to practise on their own. Dishonest sole practitioners are largely responsible for the rise in payments made by the profession's compensation fund from £11.7m last year to an estimated £20m this year.

### Unit trust sales increase sharply

The election result and new tax incentives led to the highest sales of unit trusts for 12 months, according to figures released by the Unit Trust Association today.

Total sales in April were exactly £1bn, while the total number of unit trust accounts held rose for the first time since June 1990. Net sales, at £252.6m, were greater than for the entire first quarter, and reached their highest level since last September.

### Broker denies MCC deception

A stockbroker falsely told Goldman Sachs, the US investment bank, in October 1990 that Maxwell Communications Corporation was about to file for bankruptcy, it was alleged at Knightsbridge Crown Court.

Mr Andrew Collins QC, prosecuting, said Mr Peter Marks, a director of Branston and Gothard, had made the statement, which he had known was untrue, to try to lower the MCC share price and make money for himself on dealings in the shares. Mr Marks has pleaded not guilty to a charge under section 47 of the Financial Services Act of making a misleading, false or deceptive statement to induce share dealing. The trial continues today.

### Lenders prevent home evictions

Chief executives of the top ten UK mortgage lenders will today try to persuade the government that they have managed to prevent evictions of thousands of home owners unable to keep up with their mortgage payments to the absolute minimum, even though the £800m mortgage rescue scheme announced last December has so far failed to get off the ground.

The chief executives, who are meeting senior ministers, say that snags mean that the schemes have been slow to get underway but that they have been able to save tens of thousands of their customers from eviction by negotiating easier terms for them on a case by case basis.

Around 275,000 mortgage borrowers were six months or more behind their payments at the start of the year, but evictions by the year end are likely to be close to last year's 76,000, suggesting that the lenders have found ways of saving about 200,000 homeowners.

### Politicians bid to restart talks

Northern Ireland's political leaders have agreed to spend another two days searching for a way to resolve a procedural row that has stalled interparty talks on the province's political future.

There was little evidence that intensive talks in a sub-committee over the past few days had made significant progress towards resolving the deadlock over the timing of the Irish government's entry into the talks. Sir Patrick Mayhew, Northern Ireland secretary, may decide to suspend the process, given the extent of differences between the two main unionist parties and the nationalist Social Democratic and Labour party. Alternatively, he may announce unilaterally when the Irish government will enter.

### Power blow to gas stations

NATIONAL Grid Company, the NCC, may refuse to take power from many of the new gas-fired power stations being built in England and Wales because of fears over the design of the stations, it said yesterday.

National Grid, which owns and operates the electricity supply system, was responding to a statement from Mr Malcolm Edwards, former commercial director of British Coal. He claimed the new stations would be technically inferior to existing coal-fired stations.

However, Mr Bryan Townsend, chairman of Midlands Electricity, rejected the claim. "It's absolute rubbish," he said.

### Union leader issues warning

Mr Tom Sawyer, deputy leader of the Nupe public service union and a strong influence in the labour movement, warned that unions would be unwilling to provide funds for the Labour Party if they had no say in its policy formation.

In a spirited defence of the unions' links with Labour, Mr Sawyer said: "People who fund the party must have a say. While we fund the party we will have a say. It is as crude as that."

Mr Sawyer's comments come a week after Labour's national executive committee set in motion an inquiry into the relationship with unions.

### London crime rises by 11%

Crime in London is up by 11 per cent, with the biggest increases in street crime and domestic violence, according to new police figures.

# The secret buried beyond Journey's End

## Irish terrorists still harbour a lethal armoury smuggled ashore near Dublin in 1985-6, **Tim Coone** reports

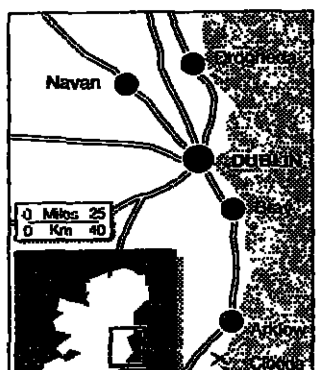
CLOGGA STRAND does not appear on most tourist maps of Ireland. It is about 50 miles south of Dublin, a secluded, mile-long bay with golden sand, where oyster and mussel shells crunch underfoot at the high tide mark.

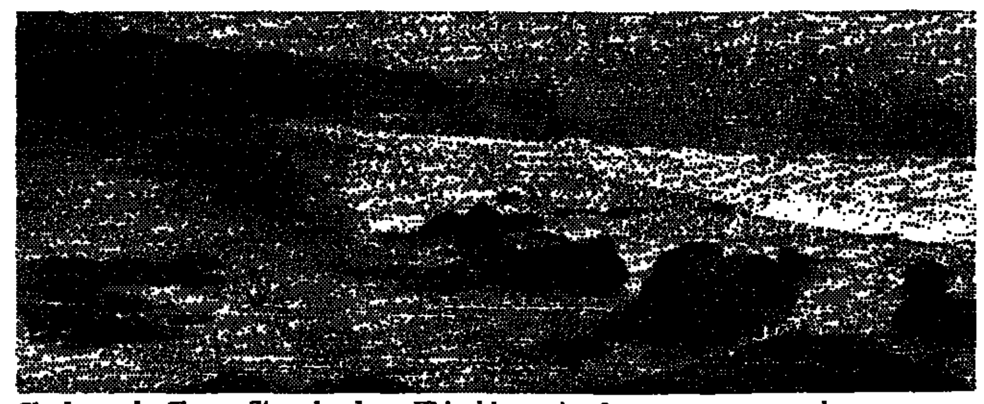
No road or track reaches the beach, and only shore anglers and other people in the know are likely to turn up there. Set back from the seashore is a cluster of isolated cottages with innocuous names such as Journey's End and Shady Nook. At Clogga Strand, though, they have an intensely ironic meaning.

For it was here in 1985 and 1986 that the chief quartermasters of the Provisional Irish Republican Party (IRA) carried out one of the biggest and most successful arms smuggling operation in the IRA's history. Four shipments from Libya were unloaded in the bay and provided the IRA with an estimated 150 tons of weaponry.

To date, it is independently estimated that only between a quarter and a third of the weapons landed in the first four shipments has been captured by security forces, although the Royal Ulster Constabulary (RUC) in Northern Ireland and the Gardai police in the Republic claim the figure is closer to half.

It included automatic rifles, heavy machine guns, anti-aircraft missiles, millions of rounds of ammunition and several tons of Semtex explosive. The operation was disclosed after the capture of a coastal freighter, the Eksund, off France in 1987. A further 150 tons of weapons were aboard, also destined for Clogga Strand.



Shady nook: Clogga Strand, where IRA shipments of weaponry came ashore

Most of the rest is believed to be stored in bunkers scattered about Ireland. It is thought that there may be as many as 4,000 AK47 automatic rifles, several hundred machine guns and well over a million rounds of ammunition.

Mr Ken Maginnis, Ulster Unionist MP, said: "I am firmly convinced that if the Special Branch [in the Republic] was given the resources it could do a better job. It is under-resourced and underfunded in every respect."

Early last February, days after Mr Albert Reynolds succeeded Mr Charles Haughey as Irish prime minister, the Gardai set in motion Operation Silo. Acting on intelligence reports, they uncovered a series of IRA bunkers in the southern counties of Kerry, Limerick and Kilkenny. The dragnet has since extended to Cork, where this month the biggest haul since 1988 was made. It uncovered 51 AK47 automatic rifles, a DShK heavy machine-gun – a type used with success against British Army helicopters in the north – and 20,000 rounds of ammunition.

The succession of finds prompted one Dublin magazine to publish a cartoon showing one farmer leaning on a fence and saying to another: "That field is corn, those two are barley and the far one is semi-automatic rifles."

The IRA's caches in the Republic range from purpose-built concrete bunkers capable of holding several tons of weapons usually concealed under a farm building, to plastic barrels containing only a few rifles or pistols buried in a field.

The biggest find, after the Eksund capture, was in January 1988, when 100 AK47s, five heavy machine guns and 50,000 rounds of ammunition were discovered hidden in sand dunes in the northern county of Donegal. All the arms finds since then in the Republic do not equal that one discovery.

Since 1987, the RUC, British Army and Gardai together have captured about 500,000 rounds of ammunition and some 350 AK47s. Detailed figures on Semtex are unavailable, but the RUC estimates that 1½ tons has been used or recovered in the north.

Mr Maginnis said he had put down several parliamentary questions to find out how many of the weapons are still in IRA hands, but without success. "When the government wants to hide failures," he said, "it says it cannot reveal the information for security reasons."

Up to a year ago he said that no more than a fifth of the Libyan-supplied weapons had been discovered. The reported finds of the security forces since then would increase that figure to no more than a quarter.

Mr Maginnis said: "On the present rate of discoveries, even if 50 tons have been found over the past seven years, that means there is sufficient left for the IRA to carry on until the year 2010."

In a similar vein, Mr Alan Shatter, the justice spokesman for the opposition Fine Gael party in the republic, said: "There is concern that we are only scratching the surface."

There is uncertainty over whether the IRA has widely dispersed its weaponry, or whether there remain several large caches, under the control of just a few key IRA quartermasters.

The Gardai declined to divulge figures on the number of Special Branch detectives dedicated to anti-IRA duties, but confirmed that the job fell largely to local detective units who also have to deal with common crime and are backed up by Special Branch units only in some larger cities. Mr Maginnis would seem to have cause for complaint.

It is the frustration with the limited success rate against the IRA's logistic supply lines that has convinced unionist politicians in the north that the best way of disrupting the IRA's military campaign is to use selective internment against the suspected quartermasters.

Much may hinge on what Col Gadaffi, the Libyan leader, decides to do. To ease mounting international pressure against him over the Pan Am Lockerbie bombing, he recently offered to co-operate with the UK authorities on disclosing his past links with the IRA. Will he be prepared to detail the shipments that got through and name the IRA quartermasters involved?.

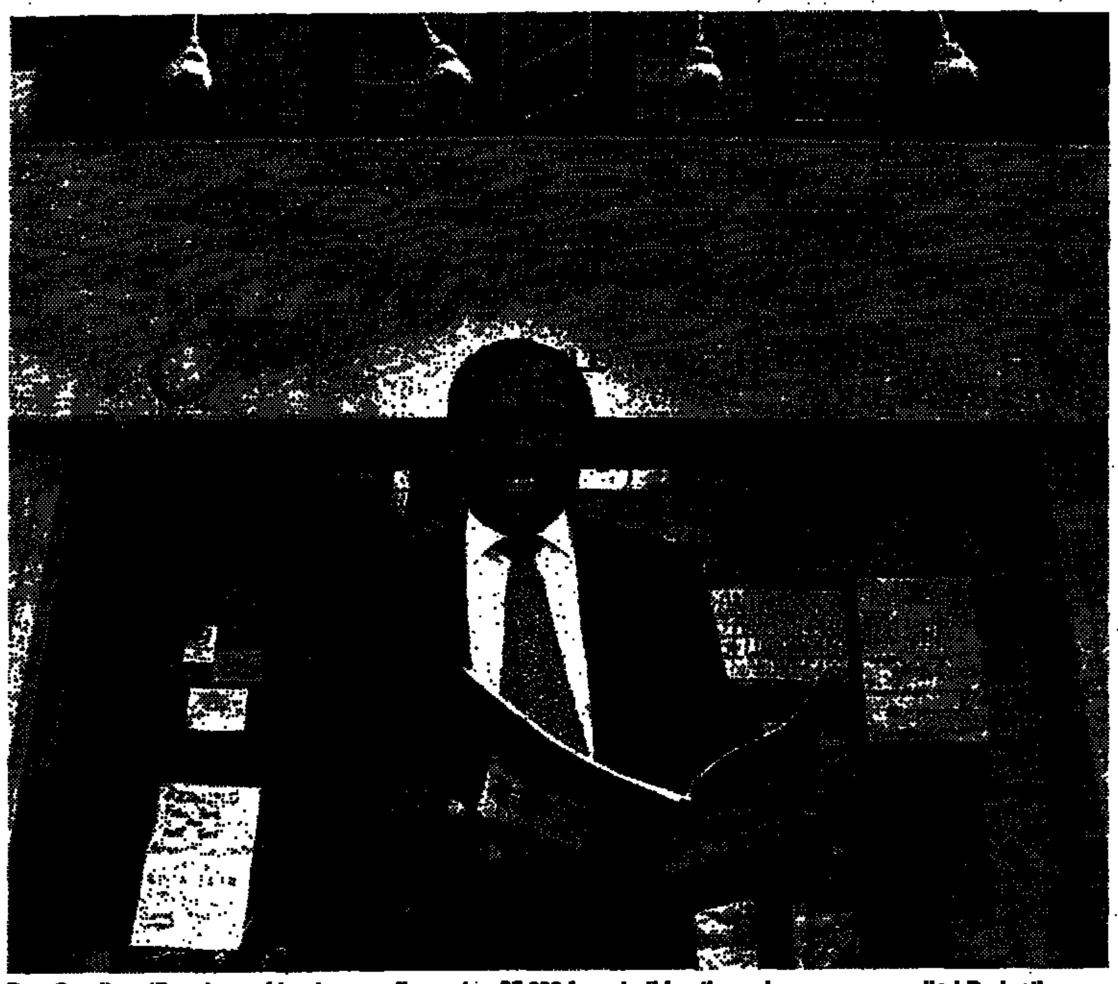
The fact that so few of the Libyan-supplied arms have been used has prompted the observation that either the IRA has far more weapons than people trained to use them, or the weapons themselves are not particularly suited to the IRA's present strategy.

A renewed political vacuum in Ulster should the current inter-party talks end again in deadlock and the new Northern Ireland ministerial team bowing to Unionist demands is the kind of scenario in which the weapons might be brought out of their bunkers. Operation Silo has so far done little to prevent that happening.

# MANAGEMENT: THE GROWING BUSINESS

Choosing the right title for your company is no simple matter although it can make all the difference between commercial success or failure. **Charles Batchelor** reports

# What's in a name?



**Don Gooding: 'People could not reconcile paying £5,000 for a holiday through a company called Budget'**

When Don Gooding changed the name of his west London travel agency from Budget Travel to Caribbean Gold, business took off.

As Budget Travel, the company had appeared to be just another of the many cut-rate outlets on the high street instead of a specialised agency providing holiday packages to Barbados and the Caribbean.

"People could not reconcile paying £5,000 for a holiday through a company which called itself Budget," he says. "People just walked right past us to one of the other travel agents."

The name change was not the only element in Caribbean Gold's new image. It was just one part of a marketing review, undertaken under the government's Enterprise Initiative, which led to improved financial systems, training for the company's 10 staff and a complete refurbishment of the agency.

But it was a significant factor in an increase in turnover from less than £3m to nearly £5m in the middle of a recession.

It also played a key role in emphasising that the eight-year-old company specialised in a particular part of the world and that it offered a quality service.

As Gooding found out, choosing a name for your business is not a simple matter. The start-up company in particular does not always know which products or which markets will develop fastest and whether its original title will still appeal or be relevant.

Entrepreneurs sometimes name their business after their wives or their children or after the street in which they start up.

"Choosing a name can be very unscientific," says Mark Pavan, founder of MAPA, a London marketing consultancy.

"It is often very emotive. People don't research it properly and can cause themselves severe embarrassment if they choose a name which is already being used by someone else."

"People must think through the strategic and personal implications," warns John Murphy, chairman of Interbrand, a London consultancy which devises names. "They must not choose a name which they cannot protect or which is not suitable for international markets."

Murphy has recently been advising two service companies which have chosen lengthy titles made up of the names of their founders and friends.

"I think it will end in tears later because some of them will leave and realise that their name is still in the business's title."

Technical names can frequently trip up the unwary. Derek Clissold set up in business making speciality chemicals five years ago as Chiral Organics.

Chiral was a technical term which was readily understandable to the chemists to whom Clissold expected to sell his products but meant less to the bio-chemists who actually turned out to be his customers.

The bio-chemistry market also proved more promising so Clissold changed the name of his Reading-based company to Cascade Biochem, a reference to the cascade of effects which lead to a particular disease.

If Chiral Organics was too specific a name, Immunology Ltd found that its name appeared too general. If the "Ltd" was left off, there was a danger that the company would become confused with the general scientific term.

So Immunology changed its name to Cantab Pharmaceuticals Research to reflect its geographical base (Cantab is abbreviated Latin for Cambridge) and its sphere of activity.

In choosing – or changing – a name, a company must first check that it is not already in use. It should carry out a search at Companies House and also check the trade marks register of the Patent Office. Trade mark protection is more effective than simple company registration, says Murphy.

A business will not be able to register a name which is considered offensive or illegal and nor can it make use of terms such as Royal, National, Building Society or Bank without fulfilling certain conditions or conforming to regulations governing the sector.

But even thorough research and registration do not provide absolute guarantees against difficulties. Cathy Ridley did a careful search before starting up her company relocation business under the Move Plan title six years ago. She began as a sole trader but on the advice of her patent agent registered the name with Companies House in case she ever decided to become a limited company.

After five years in business, she discovered that another company was using the Move Plan name. A letter to this company pointing out that the name was already registered produced no result so Ridley went to court.

Earlier this year a judge issued an interim injunction ordering the other company to stop using the name.

But Ridley says the £15,000 of legal costs incurred and the time she spent fighting the case were a heavy burden on a businesses with just £300,000 of turnover and a full-time workforce of four.

Before deciding on a company name, the founders should decide what personality they want their business to project, advises Murphy. "You must decide whether you want your business to be thought of as being high-tech, strong and incisive, caring, British, Italian ..." he says.

Consultancies such as Interbrand tend to work mainly for large companies but they do have smaller clients, says Murphy.

A typical name-creation assignment would cost between £10,000 and £19,000, he says, although the search for an international name in a crowded and difficult market such as computing might rise to £50,000-£60,000.

Company names can be chosen in four broad categories, says John Abram, joint founder of Abram, Hawkes Associates, a Haywards Heath-based marketing consultancy.

They can be based on the names of the founders; they can be descriptive; they can be witty, involving, for example, a play on words; or they can be anonymous, consisting of a made-up name or initials.

All four can bring problems. The founders may move on; descriptive titles may lose their relevance or become restrictive; witty titles may become tiresome; while made-up names and initials can be difficult to inject with personality.

Whatever name is chosen, it cannot project an image which is not backed up by the company's performance, warns Abram. A business which is seen by its customers as old-fashioned and parochial will not persuade them it is run by international high-flyers just by changing its name.

Companies should therefore be very careful before they decide on a name change, the experts advise. "You must first think what problem you are trying to solve," says Abram.

"Often it is no more than a vague message from the chairman's office that the company name is no longer modern enough. You must have a good reason for making a change. A name change can appear superficially attractive but it can cause a lot of problems."

## In a Nutshell

### All change for the VAT regime

The formal creation of the European Single Market on January 1, 1993, will lead to significant changes in the way value added tax is collected on exports and imports.

VAT will no longer be collected at national borders within the community but will be applied according to what is known as the "transitional VAT regime," according to accountants BDO Binder Hamlyn in a special briefing paper.*

*Issue No 77. 20 Old Bailey, London EC4M 7BH. Tel 071 489 9000. Free.*

### Government help is an important factor

**Nine out of 10 small businesses believe the government does not do enough to help them either by providing finance or advice, according to a survey of 140 companies which made use of factoring. The survey was carried out by Lombard NatWest Commercial Services, the factoring subsidiary of NatWest Bank.**

**Companies under a year old were more satisfied with government help than those between one and three years old, possibly reflecting the publicity given to schemes for small and start-up enterprises and a lack of assistance for better established business.**

**Asked to list policy initiatives which the government should take to help small firms, business owners' highest priority was for a cut in interest rates followed by legislation for the prompt payment of bills, a reduction in the VAT rate and increased public spending.**

**Small Business Survey. Contact Le Fevre Williamson Tel 0235 555222.*

### New venture for Foreign & Colonial

Foreign & Colonial Ventures, the venture capital arm of the Foreign & Colonial investment management group, is to take over the management of Hill Samuel Bank's development capital portfolio following the bank's decision to concentrate on its core merchant banking activities. The Hill Samuel portfolio is valued at under £20m.

As part of the deal, Hill Samuel will invest in F&C's latest management buy-out and development capital fund, F&C Ventures Limited Partnership II, while F&C will gain access to investment opportunities from the bank's merchant banking operations and its branch network.

### Playing safe with the bank manager

**How to get a better deal from their bank manager is a problem which has puzzled many small business owners in recent months. The banks' large provisions on small business lending has led many of them to take a tougher line with customers.**

**The Director's Guide to Getting the best from your Bank* provides no magic formula, opting instead to repeat the common-sense advice that bank managers hate surprises and that keeping your bank manager informed is the best policy.**

**The most valuable sections of this booklet, published jointly by the Institute of Directors and NatWest Bank, describe the additional services that banks can provide in the fields of payroll management and how to manage foreign currency and interest rate risks.**

**Other useful chapters explain credit control and factoring and financial management.**

**Director Publications, Mountbarrow House, 6-20 Elizabeth Street, London SW1W 9RB. Tel 071 839 1233. 84 pages. £9.95.*

### Stitching up designers to use computers

Designers in the fields of clothing and textiles are under increasing pressure to create garments in response to rapid swings in fashion. Computer-aided design and manufacture (Cadcam) allows designers to experiment with new ideas before committing them to paper or sample and saves time spent painting up or altering sketches.

Suggestions for how textile designers can make use of Cadcam are contained in a new booklet* produced by The Design Council.

It contains information on systems available, price guidelines, suppliers and training and three case studies of how large and small manufacturers can employ Cadcam.

*Contact: The Design Council, 28 Haymarket, London SW1Y 4SU. 54 pages. £25.*

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For further information please contact Andrew Brannon or Paul Catherall at the address below.

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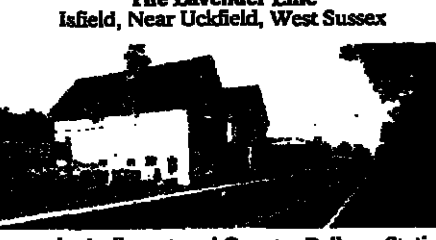

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## TECHNOLOGY

# Here's one for the road

**Ian Holdsworth** describes plans to co-ordinate Britain's street works

If the road outside your house has just been resurfaced, you can be sure that it won't be long before someone comes along with a pneumatic drill and digs a hole in it.

For years, street works have been poorly co-ordinated in the UK, with the gas, water and electricity boards and the local highway authority often ignorant of each other's plans.

A marked improvement is likely from this October, however, when the New Roads and Street Works Act 1991 goes live. The new laws, replacing existing legislation drafted in the 1930s, will improve communication between utilities and increase the highway authorities' responsibility for co-ordination.

Under the new Act, local authorities must keep a register of all street works, and from 1994 that register will be held on a computer. A single, national database will eventually hold details of all the country's street works and the list will be updated as utilities and highway authorities exchange information by electronic mail.

Whereas under the old Public Utilities Street Works Act (Puswa), there are three kinds of road works – major, minor, and emergency – the electronic register will have to cope with a host of new definitions. Certain streets, for example, have been deemed "traffic sensitive" and any street works on them would require a longer period of notice.

### The existing system has been notoriously inaccurate — it is said to have records of road works in the North Sea

The total number of messages which utilities and authorities send to each other is also expected to increase by as much as 50 per cent. This is because for the first time local authorities must give warning of anything that is likely to effect the motorist, be it a manhole inspection or the London marathon.

Even though the computer system won't be ready until 1994, authorities must comply with the new Act from this October. While they wait, councils are having to develop interim systems which in most cases will be based on fax machines and the post.

The thinking behind the computer system stems from 1985 when Puswa was heavily criticised by a government report which, among other things, called for a national Computerised Street Works Register (CSWR). Since then, highway authorities and utilities have been working to develop improved codes of practice, and their representative body, the Highway Authorities and Utilities Committee, has advised the government on what the CSWR should look like.

A blueprint is now being developed for the Department of Transport (DTp) by KPMG Management Consulting, and a contract worth about £14m will go out to tender by the end of the year.

The CSWR offers a chance to improve the accuracy of road work information. This should not be difficult as Puswa has been notoriously inaccurate – it is said to have records of road works in the North Sea, for example.

Increased accuracy would mean fewer cases of contractors and utilities damaging plant by digging holes in the wrong places. Over the last few years, the National Joint Utilities Group (NJUG), which represents utilities collectively, has been trying to achieve this goal through a series of regional trials; and two of these, in Lothian, Scotland, and in Dudley, in the West Midlands, have been useful precursors to the CSWR.

In 1982 Dudley Metropolitan Borough Council started a trail-blazing experiment which involved utilities sharing their mains records through centralised digital maps maintained by the council. When this system went live in 1985, damage to plant was cut by about 50 per cent almost immediately.

From 1987, the council decided to use its digital maps as the foundation for a street works register which would chart the life of an excavation from the planning stage to the final reinstatement of the road and settlement of invoices. Holes in the road were defined by their co-ordinates on the maps to an accuracy of within one metre. The maps now hold records of about 45,000 holes.

Dudley's system has drawn considerable international interest. However, it is too expensive to be sustained indefinitely and now the council is about to move to a post and fax system to comply with the new Act. The trial will have cost £2.5m, funded jointly by British


From 1994 a computerised register will keep details of all road works

Gas, BT, Mercury Communications, the DTp, the council, and the electricity supply and water industries.

Another NJUG experiment managed to outlive its trial by being less ambitious and therefore cheaper. The system, known as Susiephone, started life at Lothian Regional Council as a message-relaying service with the slogan "Dial before you dig". By making a single phone call a contractor could inform all the utilities of an intended excavation and receive a complete picture of underground plant.

Backed by a consortium of users including Scottish Power, British Gas (Scotland), BT, Mercury and local cable TV companies, Susiephone soon developed into a PC-based electronic messaging system. In addition, Lothian developed its own "Puswa management system" which has many of the features of a rudimentary street works register.

Susiephone was very successful but not sophisticated enough to meet the demands of the new Act. So the consortium returned to the drawing board and this year announced a new version based on modern workstations from the US company Sun Microsystems.

The new Susiephone has been aligned with the requirements of the national CSWR. Lothian intends to use it as an interim system before the full CSWR arrives in 1994, and the consortium has signed a £400,000 deal with ICL which will develop the system for marketing to other UK authorities.

Although utilities doubt that it could be used as a full CSWR, it is just possible that Susiephone could evolve into a national system. Both the Dudley and Susiephone groups will be invited to tender for the CSWR contract later this year.

KPMG's specification for this contract is nearly finished and some features of the future system are beginning to emerge. A consultation paper issued to authorities and utilities last month by the DTp recommends a single national database built from a network of regional computers. It will support:

- electronic mail for giving notice of road works;
- software for co-ordinating road works;
- software for handling road-work inspections (from 1996).

For improved accuracy, the CSWR will make use of a new National Street Gazetteer which will be the first complete list of all streets in the UK.

Greater accuracy – to within metres – would be possible using digital maps. However, a Dudley-type system covering the whole country has been dismissed for the present. The technology is "slightly too immature", says Richard Goodwin, project manager at KPMG.

But Mike Bosworth, Dudley council's chief land surveyor, says the CSWR may eventually resemble Dudley's system. "Our concepts are sound and I think the national system will develop into what we've got here at Dudley after 10 years," he says.

The DTp's consultation paper suggests the CSWR will be controlled by its users through a management board, which would appoint a computer company to operate the network. However, authorities and utilities are still considering forming a company in which they would be joint shareholders.

In Scotland, the home of Susiephone, the big issue is whether to have a register separate from the rest of the UK. "There's a fairly strong feeling that we should have a system located in Scotland," says Sylvia Murray, principal policy officer with Cosla, the Scottish local authorities association. "But being Scots it would be hard to argue against sharing a system based in Birmingham – if it were cheaper."

## Technically Speaking

# Globetrotters at spaghetti junction

**By Ian Rodger**

Advertisements for notebook computers are so exotic. They usually feature Club Class man, dashing from office to airport, from airport to hotel – always with his little electronic wonder under his arm, ready to perform wherever he goes, set to plug in to data banks anywhere in the world.

Would it were so. Alas, in reality, use of notebook computers continues to be stymied by the protectionist designs of the world's electrical and telecoms utilities.

In the past year I have struggled with a variety of electrical and telecom sockets in Japan, India, Austria, Switzerland, France, Britain, Canada and the US, and have more than once been tempted to stomp my little wonder to bits.

Electricity is the life blood of notebook personal computers because batteries tend to be short lived. But the globetrotting PC user had better be prepared for trouble of two kinds.

The first is voltage, which varies from 100 to 240 in the above-mentioned countries. Some PCs come with a converter that adjusts automatically. Others are not so well equipped, so two converters may have to be carried.

The second problem is the plethora of plug-socket standards around the world. This has been largely solved by the design of universal adaptors available in most airports.

But be warned – the Swiss have out-smarted even them, with a recessed, lozenge-shaped socket good only for their very own three-pronged plugs.

Telecoms companies too have been imaginative. The introduction of plug-in telephones dates back about 30 years, but their spread outside of North America is much more recent. Still, only Japan, among the countries I have experienced, took the sensible route of adopting the US-Canadian RJ standard plug-socket system. This is sensible because most modems are equipped with RJ sockets.

The easiest way to get around this problem is to buy a cable that has an RJ plug at one end and the local plug at the other. These are not always easy to find (and in some countries are illegal), but often at international conferences, embarrassed reps of the local PTT can be seen handing them out to frazzled foreign PC users.

Thus, our globetrotting club class man probably needs a second suitcase filled with an array of plugs, sockets, adaptors, converters and cables. Even then, his problems may not be over.

The Swiss PTT, among others, transmits high-pitched tones that record the passing of each charge segment during a customer's call. Most users are not aware of them because the beep is suppressed on Swiss PTT-approved telephones. But they play havoc with PC modems. You have to buy a special cable equipped with what is called a "tax impulse filter" to get rid of them.

You can avoid carrying around a suitcase full of spaghetti if you are willing to spend a bit of time opening up telephone junction boxes and attaching wires from your computer. In preparation for this trespassing, take a cable with an RJ plug at one end and expose the wires at the other.

All telephone circuits around the world are basically the same, consisting of only two wires. Many PTTs try and confuse the would-be trespasser by surrounding them with several other wires, but it takes only a short time to sus out the real ones.

Another gambit that worked in Delhi once was to use the telecom line attached to a facsimile machine. Most facsimile machines, like modems, are equipped with an RJ socket, so it is simply a matter of pulling out the plug from the fax machine and putting it into the modem.

I read an article recently claiming that a US telecoms company was beginning to install coin boxes equipped with an RJ socket specifically for the mobile PC user. It sounded too good to be true. Perhaps it was written by a PC user with a vivid imagination. Or perhaps I was dreaming.

## BUSINESS LAW

# Cadbury Committee draft offers mixed news for stakeholders

**By Martin Piers and Margo MacGillivray**

The publication of the Cadbury Committee's draft report on corporate governance last week will have been met with sighs of relief in company boardrooms and accountancy firms.

Shareholders, investors, lenders and lawyers may take a more cynical view of the Committee's proposed voluntary code of practice. The Committee tacitly accepts that the code will probably not work, and warns of legislation if there has been widespread abuse and non-compliance when it comes to review the situation in two years time.

The news media had predicted that the Committee, made up of the great and the good, would inevitably produce ineffectual recommendations for fear of radical change.

### Proper corporate governance requires both the spirit of compliance and legal teeth

The Committee concedes that if the code fails to command support (adherence) then pressure will bring "legislation and external regulation which will be less effective than the approach we recommend". Regrettably, it fails to explain why legislation will be less effective, resorting only to an expressed desire not to inhibit flexibility or stifle "entrepreneurial drive".

The reality is that proper corporate governance requires both the spirit of compliance which the Committee hopes for and the teeth of accountability within a legal framework.

The inadequacies and failures of self-regulation and voluntary codes of practice witnessed in the host of frauds, scandals and failures in the UK over the last 10 years, leaves the observer questioning whether there might be something quintessentially British about the Committee's naïveté.

Contrast the British position with that of the pragmatic Australians, who are debating their Corporate Law Reform Bill 1992. The Australians propose to reject voluntary codes of practice in favour of laws imposing greater duties on company directors and officers.

Should that bill become law, among other things, directors in Australia would be obliged to: seek adequate information and make proper enquiries about their company's affairs; exercise independent judgment; vet professional advisers; scrutinise conflicts of interest of directors and management; and ensure the adequacy of, and compliance with, reporting and internal control procedures. Disqualification and heavy fines are proposed to encourage compliance.

Not that direct British legislative intervention in this area is without precedent. The 1986 Insolvency Act and the Company Directors Disqualification Act introduced a revolutionary new framework governing directors' responsibilities and liabilities arising out of the insolvency of their companies.

So why should proper corporate governance not be the subject of a new Companies Bill? Perhaps it will be, in any event, as a result of the proposed European Community Fifth Company Law Directive. The British government might have been better employed in trying to secure a level playing field through negotiation, than by strongly resisting all change through this directive.

The principal outcome of the Committee's draft report is the fundamental change in the role and significance of the non-executive director.

A company's audit committee and (mainly) remuneration committee should now be made up of non-executive directors. Most of them should be independent and their remuneration should reflect the time committed to the company's affairs. Their calibre and number should ensure that their views carry significant weight in all decisions and they should be selected formally by the board.

Admirable sentiments, no doubt, but, in the absence of strict regulations, mere wishful thinking. Who, for example, is to decide on "calibre"? Answer: the board, where the executive directors command a majority.

The Committee's recommendations are steps in the right direction. But, if the government is to attempt to address the problems which led to the Maxwell, Polly Peck, BCCI and other recent scandals, then new rules in a legal framework are required.

It is not sufficient, for example, to recommend a division of responsibility and a balance of power at the head of the company so that no individual has unvetted powers, without prohibiting the chairman from also being chief executive.

The duty to disclose salary and performance-related elements of pay should not be limited to the chairman and the highest-paid director. It should encompass all directors and those operating through service companies and consultancies (as does the Australian draft bill).

Disclosure of audit and non-audit work recommended by the Committee highlights but fails to address the inherent conflict facing auditors. The Committee describes the annual audit as "one of the cornerstones of corporate governance" but the problem of the widespread discounting of audit fees aimed at providing accountancy firms with a platform from which to provide their numerous other, more lucrative services, will not be solved merely by this greater disclosure and the rotation of audit partners.

The draft report relies on a voluntary code, influential, experienced and diligent non-executive directors and an accountancy profession where the duties to inform and protect the investor (and consequently the creditor/lender) outweigh the need to maintain client goodwill and satisfaction necessary to sell services more profitably than auditing.

A recommendation that the maximum length of service agreements which do not require shareholders' consent should be reduced from five to three years is welcome. The Committee accepts this will require legislative amendment but prefers the voluntary code elsewhere to retain "the essential spirit of enterprise".

Similarly, the proposal that directors state in their report in the annual accounts that the business is a going concern (with supporting assumptions and qualifications) is a good one, but it too will require legislative amendment and should apply to all companies, and not just listed ones.

Clear statements of the functions and duties of the directors and the auditors in company accounts will not necessarily close "the expectation gap" between what the law dictates as the reliance entitled to be placed on filed accounts and the use made of them in commercial life.

### Indemnity insurers will have been comforted by the absence of radical recommendations

By not recommending the reversal of the House of Lords decision on auditors' liability in the *Caparo* case (which limited reliance to the company itself through its board and the shareholders as a whole), the Committee adhered to the policy of keeping the floodgates of litigation firmly shut.

Indemnity insurers, both for auditors' errors omissions insurance and directors' and officers' liability insurance, will have been comforted by the absence of radical recommendations and the voluntary nature of the proposed code.

Shareholders, investors and creditors will have been disappointed that just when the spectacular corporate failures of recent years cried out for bold and imaginative legal reform, the body from which so much had been expected came up with a little tinkering and a voluntary code.

*Martin Piers is a partner, and Margo MacGillivray is a senior assistant with City solicitors, Gouldens.*

## PEOPLE

# Hanson to groom its image

Lord Hanson has recruited another pretty filly to his stable. Aviva Gershuny-Roth, who made her name as a property marketing whiz, has been hired to improve the lacklustre media image of Britain's eighth biggest company.

The 34-year-old Gershuny-Roth will report to vice chairman Martin Taylor who has been the group's principal spokesman to date. Unlike most major companies Hanson has not spent much time grooming its media image because it felt its financial performance spoke for itself.

Lord Hanson did hire Michael Shea, a former press secretary to the Queen, as director of public affairs in 1987. However, Shea has spent most of his time cultivating Hanson's contacts with Westminster rather than the City. As a result, when Hanson took a near 3 per cent stake in ICI last year, it was unprepared for the level of media attention – and criticism – which it received.

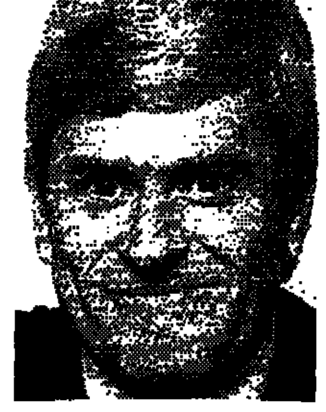
It has been known for some months that Hanson has been seeking an in-house professional to handle its corporate communications. Nevertheless, Gershuny-Roth's appointment will surprise some Hanson watchers. For the last 15 months she has been involved in the marketing of Olympia & York's ill-fate Canary Wharf development and before that she spent nine years with Savills, the up-market estate agents.

Although she is well regarded, her expertise in marketing property is hardly an obvious qualification for looking after the image of a company like Hanson which employs over 70,000 people worldwide.

Taylor refused to comment on reports that his new assistant has been lured to the company by the promise of a package worth around £100,000.

■Steve Tibble, former director of research at Valin Pollen, has joined Richard Pollen & Co as a senior consultant.

# Dashing up



Ladieswear retailer Alexon has promoted Peter Ridsdale, who joined the group last September, onto the main board.

Ridsdale explains his job, as managing director of Alexon Brands, was essentially already a main board position, but that the company had no doubt wanted to "wait and see that I was OK." He came to Alexon as Ruth Henderson was made chief executive.

"It has been an interesting year from the rivalry point of view" he says, referring to the fact that he is a director of Leeds United football club whereas the chairman (Lawrence Snyder) is " a fanatical Manchester United supporter".

However, it is the changes Ridsdale has been putting in train - including a sharper focusing on individual brands together with what he calls a drive for "value for money" - that have earned him a place on the now four-strong board.

At Burton, where he had been since 1985 before coming to Alexon, Ridsdale had latterly been managing director of Evans and the discount chain "Is". Earlier in his career he worked in personnel for Schering Plough and DelMonte International.

■Alan Howard, deputy chairman of Etam, has died at the age of 54. He had been chairman of the fashion retailer since February 1979, stepping down to deputy chairman last December because of ill health.

■Already weighed down with the responsibility of marketing the likes of Brylcreem, Horlicks, Ribena and Lucozade, Harry Groome, chairman of SMITHKLINE BEECHAM's consumer brands business, has been elected on to the board of the main group.

# GA looks for change

The promotion of Bob Scott to the board of General Accident Fire and Life Assurance, the UK operating board of the Perth-based insurance composite is symptomatic of the wind of change at the traditionally cautious Scottish company.

An Australian who has spent much of his working life in New Zealand, Scott came into the GA fold following the takeover of NZI in 1987.

He then moved to the UK in 1990 to spearhead a restructuring of the company's sluggish UK operations.

Now 50, he is one of a number of younger executives to emerge at GA in recent years. The finance director, Barry Holder, is in his mid-40s.

It has been a tough two years. GA has rationalised its branch structure, cutting over a thousand jobs, and has survived a confrontation with brokers over its determination to sell a greater percentage of its home and motor policies directly to the public.

Yesterday's appointment is an indication that Scott has impressed the powers that be in Perth.

After two years of heavy underwriting losses, GA's first quarter results last month showing glimmers of a turnaround in the company's UK performance.

## Financial moves

■Andrew Buxton and Harry Littlefair have been appointed directors of the RIVER PLATE AND GENERAL INVESTMENT TRUST.

■Gerry Moes is moving from Fuji International to become a director of HAMBROS international debt issues division; he replaces Gerard de Nadaillac who is to become md of Hambros France in September. Tom Quinn is joining the division as a director of the bank.

■William Lowe and John Evans have been appointed directors of ROBSON COTTERELL.

■Rosalind Hill, previously corporate finance director of P&P, is appointed a director of CAPITA CORPORATE FINANCE.

# Gearing up for the stock market

David Brown, the specialist engineers, has found a new chairman to help steer it towards a probable stock market flotation during the course of next year.

Derek Kingsbury captained the management buy-out of Fairey, another specialised engineering group, in 1986, taking it public two years later.

Chris Cook and Chris Brown, joint managing directors of David Brown, felt his background fitted the company for which they put together an MBO in January 1990.

He replaces Tony Firth, chairman and chief executive of Concentric, who resigned as chairman of David Brown in the middle of last year. "It is often very difficult as chairman of a private company to know what you are doing there" says Cook philosophically, adding that both sides parted company "very amicably" as work pressures at Concentric built up for Firth.

Kingsbury, who was headhunted for the position, should be clearer as to what his remit is, largely because the company's future refinancing strategy is now emerging, according to Cook. "The new chairman will be at the forefront of the refinancing." A stock market flotation is at the top of the list of priorities for refinancing in the course of the next two years.

Kingsbury, 65, has been at Fairey since 1982, and was previously deputy chief executive of Dowty. He was a non- executive director of Vickers until 1991.

## CONTRACTS & TENDERS

# FINANCIAL TIMES

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# READER SURVEY

At the Financial Times it is important for us to know more about you, our readers, so that we can continue to produce a better newspaper for you. Whether you read the Financial Times regularly or only occasionally we would be grateful if you could help us by *completing and returning this questionnaire. The survey results will* be used by both our editorial and marketing departments.

Your reply will be treated in strictest confidence by RSL, a leading independent market research company. For each reply we receive we will make a donation of one US dollar to a selected charity as a token of appreciation for your help.

Please complete and return the questionnaire using the folding instructions on the reverse.

Thank you for your help.

Yours sincerely,

David Palmer
Chief Executive
Financial Times

## ABOUT YOUR READING OF THE FINANCIAL TIMES

*PLEASE ANSWER THE QUESTIONS BY PUTTING A ✓ IN THE APPROPRIATE BOX, OR BY WRITING IN THE SPACE PROVIDED.*

cc.1

**Q1 How often do you usually read or look at**
**a) The Monday to Friday copies of the Financial Times?**
**b) The Saturday Financial Times?**

| | (a) Monday to Friday FT | (b) Saturday FT |
|---|---|---|
| Very frequently – at least 4 issues out of 5 | 1 (12) | 1 (13) |
| Quite often – 2 or 3 issues out of 5 | 2 | 2 |
| Less often | 3 | 3 |
| Never | 4 | 4 |

**Q2 Where do you usually read the Financial Times? (PLEASE TICK ANY THAT APPLY)**

| | (a) Monday to Friday FT | (b) Saturday FT |
|---|---|---|
| At work | 1 (14)m | 1 (15)m |
| At home | 2 | 2 |
| While travelling | 3 | 3 |
| Elsewhere | 4 | 4 |

**Q3 How many other people usually see your copy of the Financial Times?**

| | (a) Monday to Friday FT | (b) Saturday FT |
|---|---|---|
| One | 1 (16) | 1 (17) |
| Two | 2 | 2 |
| Three | 3 | 3 |
| Four | 4 | 4 |
| Five or more | 5 | 5 |
| No-one else | 0 | 0 |

**Q4a The Financial Times recently modified the layout of the first section of the newspaper. Did you notice any difference in layout?**

Yes 1 No 2 (58)

**Q4b *If yes, how do you find the new layout?***

Better than the previous layout 1 (59)
Not as good as the previous layout 2
Makes little difference either way 3

## ABOUT TRAVEL

**Q5 Approximately how many international air trips have you taken, in the last 12 months? (PLEASE COUNT A RETURN OR ROUND TRIP AS ONE)**

| | (a) On Business | (b) For Pleasure |
|---|---|---|
| None | 0 (18) | 0 (19) |
| 1 - 2 | 1 | 1 |
| 3 - 5 | 3 | 3 |
| 6 - 9 | 6 | 6 |
| 10 - 20 | 8 | 8 |
| 21+ | 9 | 9 |

***Please answer Q6 - Q9 if you have travelled on business, if not please go to Q10.***

**Q6 For business trips, which class of air travel do you usually fly?**

First 1 Economy 3 (20)m
Business/Club Class 2

**Q7 Which of the following destinations outside your country of residence have you flown to on business in the last 12 months? (PLEASE TICK ANY THAT APPLY)**

| | | | |
|---|---|---|---|
| Belgium | 1 (21)m | Middle East/ North Africa | 1 (23)m |
| France | 2 | Other Africa | 2 |
| Germany | 3 | USA | 3 |
| Italy | 4 | Canada | 4 |
| Netherlands | 5 | Central/ South America | 5 |
| Nordic Block | 6 | Japan | 6 |
| Spain | 7 | Hong Kong | 7 |
| Switzerland | 8 | Singapore | 1 (24)m |
| United Kingdom | 9 | Other Asia | 2 |
| Other Western Europe | 1 (22)m | Australasia/ South Pacific | 3 |
| CIS/Other Eastern Europe | 2 | | |

**Q8 Approximately how many nights have you spent in hotels on business in the last 12 months?**

None 0 15 - 29 nights 2 (25)
1 - 14 nights 1 30 or more nights 3

**Q9 Approximately how many times have you rented a car on business in the last 12 months?**

None 0 3 - 6 2 (26)
1 - 2 1 7 or more 3

## ABOUT YOUR OCCUPATION

**Q10 What is your working status?**

In full-time employment 1 Retired 3 (27)
In part-time employment 2 Other 0

***If you are not working, please go to Q17.***

**Q11 What is the principal activity of the company or organisation for which you work? (PLEASE BE SPECIFIC eg aircraft manufacturing, investment banking, medical research, management consultancy, etc).**

________________ (28 - 30)

**Q12 Which of these best describes the position you hold?**

| | | | |
|---|---|---|---|
| Owner/Partner | 1 (31) | Junior Executive | 1 (32) |
| Chairman/President/CEO | 2 | Technical Specialist/Engineer | 2 |
| Managing Director/ General Manager | 3 | Politician/ Government Minister | 3 |
| CFO/Finance Director | 4 | Diplomat/Senior Government Officer | 4 |
| Director/Vice President | 5 | Consultant | 5 |
| Other Director | 6 | Other Professional | 6 |
| Department Head | 7 | Other (WRITE IN) | 7 |
| Middle Manager | 8 | | |

**Q13 In which, if any, of these areas are you wholly or partly responsible for company decision-making? (PLEASE TICK ANY THAT APPLY).**

Domestic Banking Services 1 (33)m
International Banking Services 2
Accountancy Services 3
Insurance Services 4
Corporate Finance 5
Money Market/Foreign Exchange Management 6
Mergers & Acquisitions 7
Legal Services 8
Management Consultancy Services 1 (34)m
Executive Recruitment 2
Company Travel Services 3
Management Training/Courses 4
Conferences, Exhibitions, Trade Fairs 5
Courier or Freight Systems 6
Advertising, Marketing, PR Services 7

**Q14 Does your job responsibility involve taking decisions about the purchase, leasing or use of any of the following goods or services, eg specifying the brand or supplier, or authorising the purchase?**

| | | | |
|---|---|---|---|
| Main Frame Computers/ Network Systems | 1 (35)m | Company Car Fleet(s) | 1 (36)m |
| Personal Computers | 2 | Company Vans/ Trucks | 2 |
| Computer Peripherals | 3 | Business Premises/ Industrial Sites | 3 |
| Software | 4 | Industrial Components | 4 |
| Photocopiers | 5 | Industrial Plant and Equipment | 5 |
| Telecommunications Products and Services | 6 | Raw Materials/ Chemicals | 6 |

**Q15 How many people are employed at the address at which you work?**

Under 10 1 250 - 999 4 (37)
10 - 49 2 1,000 - 4,999 5
50 - 249 3 5,000 or more 6

**Q16a Does your company also operate outside the country in which you are based?**

Yes 1 No 2 (38)

**Q16b If yes, do you have involvement in any of the company's international operations?**

Yes 1 No 2 (39)

## $ MAKE YOUR COMMENT COUNT $

## ABOUT YOU AND YOUR HOUSEHOLD

**Q17 How many cars do you have in your household, including company owned or leased cars?**

None 0 Two 2 (40)
One 1 Three or more 4

**Q18 Which, if any, of the following items do you have at home?**

| | | | |
|---|---|---|---|
| Desk Top Computer | 1 | Video Camera/ Camcorder | 4 (41)m |
| Portable/Lap-top Computer | 2 | Mobile Telephone | 5 |
| Fax Machine | 3 | Car Telephone | 6 |

**Q19 Which of the following do you yourself drink or have in the home?**

| | | | |
|---|---|---|---|
| Imported Beers | 1 (42)m | Cognac/ Armagnac | 1 (43)m |
| Wine | 2 | Liqueurs | 2 |
| Champagne | 3 | Rum | 3 |
| Whisky/Whiskey | 4 | Port | 4 |
| Vodka | 5 | Sherry | 5 |
| Gin | 6 | Vermouth | 6 |

**Q20 Which, if any, of these cards do you use nowadays for business or personal expenditure?**

Access/MasterCard/Eurocard (Gold) 1 (44)m
Access/MasterCard/Eurocard 2
American Express (Platinum or Gold) 3
American Express (Green) 4
Diners Club 5
Visa/Barclaycard (Gold or Premier) 6
Other Visa/Barclaycard 7

**Q21 Which, if any, of the following types of investment do you or other members of your household own?**

Shares or options in the company for which you work 1 (45)m
Stocks and shares quoted on your national exchange(s) 2
Stocks and shares quoted only on foreign exchanges 3
Stocks and shares in unquoted companies 4
Government Securities 5
Eurobonds/Other bonds 6
Unit Trusts/Mutual Funds 7
Commodity Futures/Options 8
PEPs 1 (46)m
Investment Trusts 2
Offshore Investments 3
Gold/Precious Metals/Gems (as an investment) 4
Bank/Building Society Savings Account 5
Life Assurance 6
Property (other than main home) 7
Collectables (art, antiques, coins, etc) 8

**Q22 How often, if at all, have you personally (or a broker/banker on your behalf) bought or sold stocks or shares on any exchange in the last 12 months?**

Once 1 9+ times 9 (47)
2 - 3 times 2 Not traded 0
4 - 8 times 4

**Q23a What is your country of residence?**
(PLEASE WRITE IN) ________________ (48-49)

**Q23b What is your country of citizenship?**
(PLEASE WRITE IN) ________________ (50-51) (52-53)

**Q24 Are you ...** Male 1 Female 2 (54)

**Q25 How old are you?**

Under 25 1 45 - 54 4 (55)
25 - 34 2 55 - 64 5
35 - 44 3 65 or over 6

**Q26 Into which of the following broad ranges does your personal gross income from all sources fall?**

Up to US $34,999 1 US $110,000 - 184,999 4 (56)
US $35,000 - 64,999 2 US $185,000 or over 5
US $65,000 - 109,999 3

**Q27 Which one of these charities should benefit from our dollar donation given on your behalf?**

Red Cross/Red Crescent 1 Cancer Research 4 (57)
UNICEF 2 Venice Restoration Fund 5
World Wide Fund for Nature 3

## THANK YOU FOR YOUR HELP

*PLEASE RETURN THE QUESTIONNAIRE ACCORDING TO THE INSTRUCTIONS ON THE REVERSE TO:*

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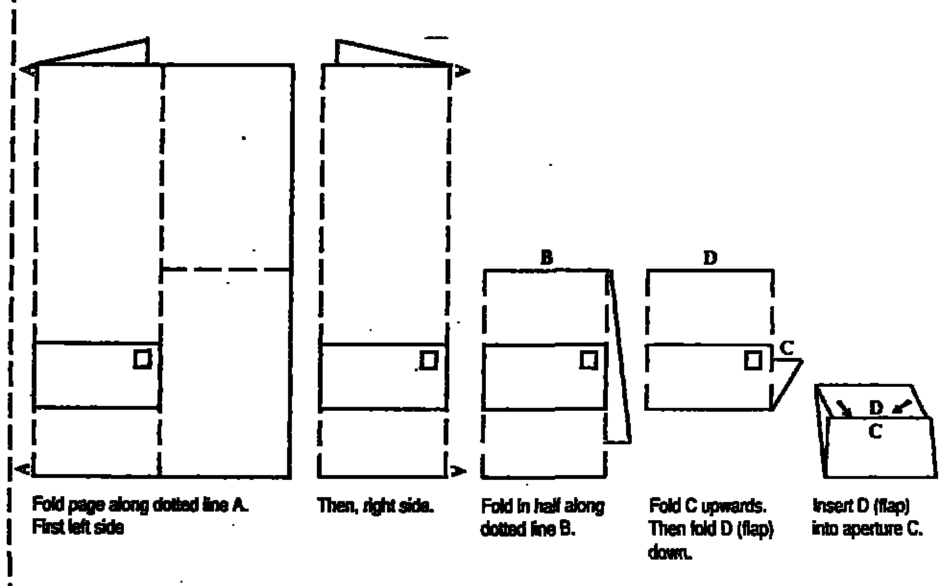
B

D (FLAP)

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## Sculpture/William Packer

# A surrealist cast of symbols

Phillip King, the lately retired Professor of Sculpture at the Royal College of Art, is now 58. He read Modern Languages at Cambridge before turning to sculpture, which he studied under Anthony Caro at St Martin's in the late 1950s, followed by a brief stint around 1960 as an assistant to Henry Moore. Late vocation or not, his critical success was almost immediate. He was a particular star of Bryan Robertson's seminal *New Generation* show at the Whitechapel Gallery in 1965; a trustee of the Tate by 1967; CBE by 1974; ARA by 1977; and subject of a full retrospective at the Hayward Gallery by 1981. All the while there has been a constant stream of shows at home and abroad, regular solo shows of current work with the old Rowan Gallery, and significant contributions to group exhibitions. His work is now in collections around the world.

In short, King is a substantial and influential figure in his generation, an artist with a truly international reputation. Or is he? Any artist, in shifting the course of art in his turn, though by only a little, only adds to its impetus and the capacity of those who follow to shift it further in their turn. Our much vaunted British Sculpture, in received opinion our one consistent and truly significant contribution to the world's art in the 20th century, is now carried on by other, younger hands. If King's reputation has lain somewhat in the shadows since the apparent zenith some 10 years ago or more, this show at the Yorkshire Sculpture Park, along with Tim Hilton's timely and invaluable monograph, affords us the proper occasion to bring it once more, quite literally, out into the light of day.

King's work is, of course, no stranger to the open air, but with such public monuments as the "Clarion" at Fulham Broadway, and the "Diamond Sculpture" beside the road at Street in Somerset, it is more familiar in an urban of industrial than a rural context. Also, his early use of bright, unnatural colour and apparently insubstantial materials, and the long, inevitable practice of showing even the most monumental of the works inside the gallery, have conspired in the common belief that the true place for his sculpture is indoors. Only to the comparative few of his public, familiar with the sculpture garden of his long-time dealer, Alex Gregory-Hood at Loxley in Warwickshire, will this splendidly bucolic display in the park at Bretton Hall come as no surprise.

Even to them, with so many definitive pieces on show, the urge to modify both expectation and judgment is irresistible. For what emerges is not just that these things look so much at home on the grassy slopes beneath the trees, but rather that brightly coloured or drab and natural, they display a remarkable consistency both in their imaginative preoccupation and formal development.

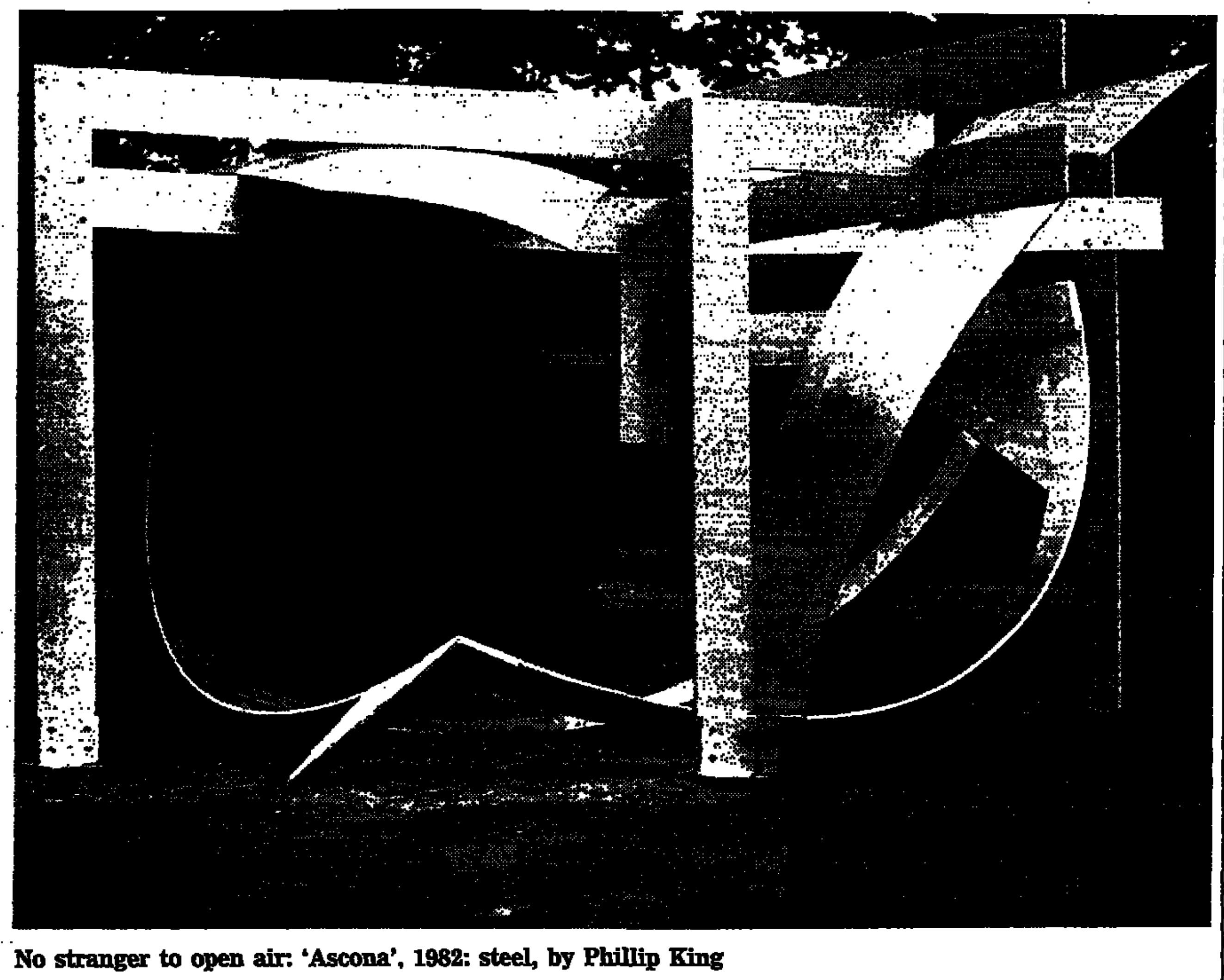
The differences are clear enough: the hints at figurative reference in the earliest; the overt figuration in the latest works; and, in between, works in which formal and material considerations are over-riding. Yet, whichever it is, what brings it so to sit happily with the *oeuvre* at large is an unmistakable sense, not just of space occupied and articulated, but of a place established and enclosed. Given the open nature of so many of the structures in the purely formal sense, this may seem a somewhat contradictory thing to say but, even so, it holds good. Stonehenge may be open now to all the winds that blow, but its sense of enclosure and, more than that, of being enclosed to some purpose, is undeniable. And by how much is the same true of ruins of all kinds, whether of castles or cottages, temples, tombs, sacred graves?

If King does not make the point himself, the works make it for him in a remarkable combination of sculptures, set out more or less across the slope and half-way down the hill toward the lake. On either side sit two works of 1977, "Open Place" and "Sure Place", each a low slanting structure, deceptively tumbled, of slabs of slate set into a steel framework. In between are two bright and open structures, arched and sprung, not so much higher and with the same scope across the ground. They could hardly be more different, and yet so very much the same: the dome, the canopy, the tent, the tomb.

So back it is to those earliest things, to "Genghis Khan" of 1963, dark blue against the green and what might be a great swirling cape or tent surmounted by an imperious set of heraldic antlers. On to the most recent things, to the clouds and the arcades and tumbled elements, redolent of Giacometti and de Chirico, Picasso and Miró: and again, King sets out the same contained space, though now a stage, as it were, on which to put his discrete surrealist cast of symbols – the hand, the ball, the moon.

Those latest, openly surrealist works may seem something of an arbitrary break in the natural development, romantic as ever but a conscious rejection of the abstract and the formal. Shown as they are, however, in the pavilion in the upper garden alongside a group of the earliest things, colourful pyramids and cones fraught with a latent surrealism, they seem less so, less certainly than they did new and alone a year or two ago. Who knows where they may tend? But an artist in mid-career is the master of is own direction, and the professor, Emeritus now, has yet to collect his bus pass. Already the work comes together, all of a piece. There is plenty of time.

**Phillip King – Sculpture 1960-1991, Yorkshire Sculpture Park, Bretton Hall, Wakefield until August 31. The Sculpture of Philip King by Tim Hilton, published jointly by Lund Humphries and The Henry Moore Foundation.**



No stranger to open air: 'Ascona', 1982: steel, by Phillip King

## Opera/Andrew Clements

# Biko

When the Royal Opera House's "Garden Venture" went public for the first time in 1989 with six specially commissioned music-theatre pieces, one of the most successful of a strikingly undistinguished bunch was Priti Paintal's *Survival Song*, to a text by Richard Fawkes. Its portrayal of the events leading up to a necklace killing in a South African township was described then as a study for a full-length opera on the life of Steven Biko, and the Garden Venture has gone on to commission that piece; *Biko* was unveiled in Birmingham on Friday, directed by Wilfred Judd, artistic director of the Venture, and conducted by Timothy Lole.

Paintal evidently learnt about Biko through Richard Attenborough's *Cry Freedom*, and Fawkes's scenario follows the approximate outline of the first half of that film. It presents Biko among his family, a man of non-violence working for the black community despite constant police surveillance, threats and banning orders; his growing friendship with the journalist Donald Woods and Woods' attempt to intercede on Biko's behalf with the state security minister Kruger, and chronicles the escalating harassment, Biko's arrest, torture and death.

The bare historical facts have a tragic trajectory of their own, but they are treated here with almost cartoon-like simplicity. Even the character of Biko is hardly given any perspective, while Woods emerges as a hapless stooge, unaware of the potential brutality of the state. Too much of the dialogue is suffocated by banality – Biko surely did not always discuss his aspirations in such clichés – while the lack of cadence and rhythm creates insuperable problems for Paintal's word setting, which falls back on the infuriating tic of repeating every second or third phrase to add emphasis.

Much of the score is slight. The climactic moments of the work – Biko's unaccompanied monologue in the first act, his torture and murder in the second – are never underpinned with the musical intensity they demand, and Paintal's mixture of minimalist washes and Bernstein-like melodic invention consistently seems underpowered. Only briefly, at the beginning of the second part when Woods confronts Kruger at his home, does the music begin to function dramatically; there the dark-hued woodwind solos generate exactly the kind of ambiguity and unease the situation requires.

Judd's frugal production does what it can, but it is hard to sustain tension when so much in the music and text appears to be conspiring against it. The playing from the Endymion Ensemble is vivid and alert, and there are some fine performances. Daniel Washington makes Biko a highly moral, stoic figure, and Damon Evans contributes a hyperactive performance as Thomas, the militant who rejects Biko's strategy of non-violence; Hyacinth Nicholls is Biko's wife Ntsiki, Angela Caesar the family friend Miriam. Stephen Richardson's portrayal of Woods seems intentionally shallow and naive, while Gerard Quinn and Stephen Austin are the security police; as Kruger too, Quinn gets a second chance to polish his Afrikaner accent.

In the end *Biko* neither rises to the importance of its subject matter nor leaves the impression of a rounded piece of music theatre even on its own limited dramatic terms. As the first fully ripened fruit from the Garden Venture it is a disappointment; Judd's claim in the programme that the project is now well established as "the prime mover in developing new opera in the UK" still needs to be taken with a pretty large pinch of salt.

**Birmingham Repertory Theatre until June 6; Riverside Studios, London, June 10-15**

## Music in London

# Musicians who miss the Wigmore

Only four months to go. During the Wigmore Hall's year-long closure various of the other musical venues in London have been putting on recitals, but none has been able to offer the combination of intimate acoustics and friendly atmosphere which makes that hall so precious.

From time to time the Barbican endeavours to promote itself again as a recital hall and the past year has been a clear opportunity. The sound is perhaps less poor for chamber-music than one might have feared, as the acoustic gains in clarity as the number of players gets smaller. But nothing can stop the hall looking and sounding empty when there is only a handful of people on stage.

For the celebrity recital by the Takács Quartet Barbican last Wednesday no attempt was made to disguise the chilliness of the setting. The players sat centre-stage, surrounded by a vast expanse of deserted platform. The upper tiers of the auditorium looked to have been closed off. At quiet moments the sound became unhelpfully distant and it was fortunate that so fine a group was playing, as the audience was compelled to sit in silence.

This is a quartet with the ability to make its presence felt in any hall. The players' tone is well matched, their style unexaggerated. Warmth and lyricism are their hallmarks, although just occasionally there was a seasoning of their native Hungarian paprika in Bartók's First Quartet and also the scherzo of Haydn's B Flat Quartet, Op.76 No.4, where the vigorous stamping rhythm was taken up rather noisily by the leader's left foot.

In their performance of Schubert's "Death and the Maiden" Quartet neurosis was held at bay. Where the Lindsay Quartet seizes the music by the throat, or the Amadeus was wiry and tensile, the Takács still find time to shape broad lyrical phrases (the elegiac opening of the slow movement was coloured with particular sensitivity). The players will be hosting their own festival at the Wigmore Hall in 1994, so they clearly recognise where their true London home lies.

★

A word of recommendation, too, for the Beethoven Trio, who gave the first of three recitals at the Purcell Room on Friday. Each of these programmes features a new work by an Austrian composer together with Mozart and Beethoven trios, for which the players are winning an increasing reputation at home and abroad.

To judge from the standard of performance in this first recital there is no reason to question those high opinions. The Beethoven Trio is a meeting of three equal musicians, less dominated by the pianist than is often the case in more starry ensembles, a trio of young and fresh interpreters, able to build long paragraphs of music into statements of some depth and import.

The new work on this occasion was Gerhard Schedl's Second Piano Trio, subtitled "Lamento", which takes the music of the two Armed Men from Mozart's *Die Zauberflöte* and sets isolated phrases from it afloat in a sea of vaguely expressionist sounds: not a piece of strong individual merit, although at 10 minutes it did not outstay its welcome. The third and final recital, with a new work by Thomas Pernes, follows on Friday.

**Richard Fairman**

In a Purcell Room agreeably tarted up with paintings from the Arts Council collection, including Gillian Eyres's eye-catching "Spica" and a yellow and blob-red Caulfield, the English tenor Adrian Thompson and pianist Iain Burnside gave a recital on Thursday, fifth in a song series which would normally be staged, one presumes, in the Wigmore Hall.

Certainly the Wigmore acoustics would have been more accommodating to Mr Thompson's searingly powerful instrument. He makes a clarion sound which is apt to go frantic with decibels in upper register climaxes and produce a cuttingly painful effect in the confinement of the Purcell Room, which oddly seems to stop the voice dead without muting it.

Passionate and in many ways persuasive, Mr Thompson's recital problem was sheer vocal bulk. From the start he was overwhelming his pianist as well as flattening his listeners in a Schubert group, though the passionate, storm-lashed *Der Schiffer* (The Boatman) positively benefited from the ferocious despatch. Among a selection of Hugo Wolf's Mörike settings, *Der Tambour*, a drummer boy's fantasy of food, and *Storchenbotschaft* (Stork-tidings), with its bitonal piano part figuring the shepherd's creaky hut (and anticipating the methods of Britten), made a vivid impression. *An eine Aolsharfe* (To an Aeolian Harp) received a strong, solemn delivery.

I found the five Gerald Finzi songs after the interval dullish, and the four Samuel Barber's not much less so: *Sure on this Shining Night* sets words by James Agee but isn't a patch on *Knoxville*. Mr Thompson came on in chef's togs for Leonard Bernstein's Faure send-up, *La bonne cuisine*, the four song-texts being French recipes.

★

The 33-year old Russian conductor Yakov Kreizberg (he emigrated to the USA in 1976) made his London debut on Sunday night with the Philharmonia Orchestra at the Royal Festival Hall in an all-Russian programme. It was not an exceptionally interesting programme, but Kreizberg made it uncommonly gripping and the orchestra's playing was of the highest stylishness throughout.

The Polonaise from Tchaikovsky's opera *Eugene Onegin* was a brief but cracking opener and its brilliant bluster was no sooner in our ears than forcibly contradicted by the bleak depression of Shostakovich's second cello concerto, Op. 126, a late work written for Rostropovich in 1966 between the thirteenth and fourteenth symphonies.

Our soloist was the American Lynn Harrell (in the news because of his appointment as next principal of the Royal Academy of Music), and no more searching or finely shaped interpretation could have been asked for. Harrell's tone is as clear as it is expressive, as minutely governed as it is boldly (and with seeming effortlessness) projected. Shostakovich's invention is not perhaps of the most distinguished in this work, which is just a very good performance "on the Shostakovich"; but Harrell read in a marvellous intensity everywhere and the orchestra answered Kreizberg's evident commitment with a high-tension accompaniment notable for individual excellences (the sturdy peculiar horn calls at the end of the first movement, the split-second demented xylophone interjections of the scherzo) as well as formidable group cohesiveness.

Kreizberg cuts an impressive figure on the podium: unflamboyant but intense, dapper but keenly effectual. His account of Rakhmaninov's second symphony was beautiful, profoundly persuasive (the work can easily become a romantic thrash) and, in its slow movement, quite overwhelming. The string textures of the slow introduction were built up with glistening precision, and brass layers superadded with a disciplined ear for balance. The performance of the scherzo was masterly; one blessed Kreizberg for the tiny touches of violin portamento. Michael Whight's quiet, poised clarinet solo in the spacious Adagio took our breath away, if not his; and the movement went its noble way "among the deepening shades".

**Paul Driver**

# National Opera Studio

Students of accountancy and law may count themselves fortunate that they do not have to do end-of-term public showings. Each year the singers of the National Opera Studio are expected to appear in an evening of scenes from various operas, which is in some ways more difficult than performing in a complete one.

For this year's "Showcase", given at the Queen Elizabeth Hall on Saturday, the Studio made sure that professional guidance was on hand. Tim Albery was the producer and David Parry with the Bournemouth Sinfonietta took charge of the musical side, but neither exactly gave the students an easy ride. The ensemble was precarious even in the scores the orchestra seemed to know, while events on stage sometimes saw ingenuity triumph over commonsense.

The test of an evening like this is to see if the student performers can find the mechanism that makes their characters tick within the timescale of a single scene. To this end Albery had not been a wholly reliable guide. The amorous cavorting between Rossini's Figaro and Rosina had little to do with their operatic characters; and Don José was left to sing the Flower Song lying on his back while his glamorous Carmen did a striptease on the other side of the stage.

Nevertheless, at least the Studio does have a Don José. Indeed, both the tenors made a good impression vocally. Mark Luther, who had appeared in the *Carmen* excerpt, also sang in a scene from Donizetti's *Anna Bolena*, though arguably with a better feeling for the French sound and style. Mark Le Brocq was wanting in sensuality as Massenet's Des Grieux, but returned as an outstanding Albert Herring, genuinely moving, a complete operatic portrayal in embryo.

The standard of singing suggested a good year. Among the strengths were Kay Jordan's Anna Bolena and Anita Morrison's Agathe, in Weber's *Der Freischütz*. The honours of the evening, however, went to the partnership of Mary Plazas and Ann Taylor-Morley, who took on a scene from Donizetti's rarely-performed *Maria Padilla* and delivered it with a fine sense of style. These were two operatic people who came alive and one would gladly have stayed for them in the rest of the opera.

**Richard Fairman**

# INTERNATIONAL ARTS GUIDE

## ■ BERLIN

**Philharmonie** 20.00 Bernard Haitink conducts Berlin Philharmonic Orchestra in Brahms' Double Concerto (Toru Yasunaga and Georg Faust) and Shostakovich's First Symphony, repeated tomorrow (West Berlin 2548 8232). Sat: Vladimir Ashkenazy conducts works by Zemlinsky and Schumann (3027 242). Sun morning and Mon: Kurt Sanderling conducts Saint-Saëns and Tchaikovsky (2548 8232)
**Deutsche Oper** 19.00 Gounod's Faust with Giacomo Aragall and Nelly Miricioiu. Tomorrow: Il Trovatore. Thurs and Fri: Christopher Hogwood conducts Messiah. Sat: Cruel Garden, new dance production by Christopher Bruce and Lindsay Kemp. Sun: Götterdämmerung with Anne Evans and Reiner Goldberg (West Berlin 3410 249)
**Staatsoper unter den Linden** 19.30 Il barbiere di Siviglia. Tomorrow: Die Verurteilung des Lukullus. Thurs: Der Rosenkavalier. Fri: Die Fledermaus. Sat: L'Africaine. Sun: Giselle (East Berlin 2004 762)

● Luciano Pavarotti is due to appear at the Deutschlandhalle on June 12 (West Berlin 8022 424). Elton John in concert at the Waldbühne on June 15. Eric Clapton and Joe Cocker on June 22 (3019 999)

**THEATRE**
Ute Lemper stars in a new production of The Blue Angel directed by Peter Zadek, daily except tomorrow and Thurs at Theater des Westens (West Berlin 3190 3193). A production by Thalia Theater, Hamburg, of John Osborne's The Entertainer, starring Helmut Lohner as Archie Rice, can be seen at the Deutsches Theater on Sun, Mon and next Tues (East Berlin 2871 225). The repertory at Maxim Gorki Theater includes Caryl Churchill's Top Girls, Arthur Miller's Death of a Salesman and Chekhov's Three Sisters (East Berlin 2082 783).

## ■ BOLOGNA

**Teatro Communale** 20.30 Riccardo Chailly conducts Roberto de Scimone's production of La Cenerentola, with Cecilia Bartoli, Lucio Gallo and Claudio Desderi. Runs till June 17, next performances on Thurs and Sat (529999)

## ■ FLORENCE

**MAGGIO MUSICALE**
Tonight's concert at Teatro della Pergola is a recital for two pianos by Bruno Canino and Antonio Ballista. Thurs in Teatro Communale: first night of new production of La forza del destino. Next Mon: Labeque Sisters (277 9236)

## ■ GENOA

**Teatro Carlo Felice** 20.30 Paolo Olmi conducts Attilio Colonnello's production of Le siège de Corinthe, with Luciana Serra as Pamirea. Runs till June 14, next performances on Thurs and Sun (589329)

## ■ LONDON

**Sadler's Wells** 19.30 Ballet du Rhin opens a two-week season with La fille mal gardée, choreographed by Ivo Cramer (071-278 8916)
**Covent Garden** Salome with Maria Ewing, also Sat. Tomorrow: La bohème (071-240 1066)
**Coliseum** 19.30 Madama Butterfly with Janice Cairns and Arthur Davies, also Fri. Tomorrow and Sat: Falstaff. Thurs: Monteverdi's Ulysses (071-836 3161)
**Royal Festival Hall** 19.30 Semyon Bychkov conducts Philharmonia Orchestra in works by Wagner, Beethoven and Brahms, with Radu Lupu. Tomorrow: Libor Pesek conducts Dvorak (071-928 8800)
**Riverside Studios** 19.30 NADA Theatre presents Alfred Jarry's Ubu roi, a small-scale production of one of the classic works of modern French theatre. Daily till Sat (081-748 3354)

## ■ MILAN

**Teatro alla Scala** 20.00 André Engel's production of Lady Macbeth of Mtsensk, conducted by Myung-Whun Chung, with Mara Zampieri, Aage Haugland and Jacque Trussel. Runs till June 11, next performances on Thurs and Sat. Tomorrow and Fri: Lucia di Lammermoor. Sun: Riccardo Muti conducts works by Elgar, Lutoslàwski, Mahler and Bartók (7200 3744)

## ■ PARIS

**DANCE**
**Théâtre de la Ville** 20.30 Cullberg Ballet in two Mats Ek choreographies: new Carmen ballet and The House of Bernarda. Daily till Sat, with an alternative programme next week (4274 2277)
**Palais Garnier** 19.30 Ballet de l'Opéra de Paris in choreographies by Neumeier, Petit and Lander. Runs till June 30, next performance on Fri (4017 3535)

**MUSIC**
**Opéra Bastille** 20.00 Song recital by Teresa Berganza. Thurs: José Carreras. Next week: Le nozze di Figaro (4001 1616)
**Opéra Comique** 19.30 Johann Strauss festival: Wiener Blut, production from Vienna. Repeated tomorrow and Thurs (4286 8883)
**Salle Pleyel** 20.30 Mario Venzago conducts Ensemble Orchestral de Paris in Beethoven's Third Piano Concerto (Jean-Marc Luisada) and Schubert's Sixth Symphony (4561 0630). Thurs: Jeffrey Tate conducts Orchestre National de France (4230 2308)

● Other events this week include a new production of Wozzeck, staged by Patrice Chéreau and conducted by Daniel Barenboim, opening tomorrow at the Châtelet (4028 2840), and a concert of symphonic and choral works by Bach, Schoenberg and Bruckner conducted by Marek Janowski, tomorrow at Basilique St Denis (4230 2308)

**THEATRE**
A new production of Alfred Jarry's satirical masterwork Ubu roi, directed and designed by the French surrealist artist Roland Topor, is showing at the Théâtre National de Chaillot (4727 8115). A Pirandello double-bill runs till June 21 at Théâtre de l'Aquarium (4374 9961), and Théâtre National de la Colline has Jorge Lavelli's production of Steven Berkoff's Greek (4366 4360). The Comédie Française repertory includes plays by Molière, Camus and Victor Hugo (4015 0015)

## ■ VIENNA

**Theater an der Wien** 19.30 Peter Eötvös conducts Bruno Maderna's chamber opera Hyperion. Repeated tomorrow and Wed (586 1676)
**Volksoper** 19.00 Jan Latham-Koenig conducts Christine Mielitz's new production of Nabucco, also Sun (51444 3318)
**Staatsoper** 19.00 Der fliegende Holländer. Tomorrow: Boris Godunov (51444 2960)
**Musikverein** 19.30 Piano recital by James Tocco (505 8190). Tomorrow and Thurs in Konzerthaus: Helsinki Philharmonic (712 1211)

## ■ WASHINGTON

**CONCERTS**
**Kennedy Center** 20.30 Garrick Ohlsson is soloist in Rakhmaninov's First Piano Concerto with the National Symphony Orchestra. Thurs, Fri, Sat and next Tues: Robert Shaw conducts Beethoven's Missa Solemnis. June 11: Rostropovich conducts world premieres of three piano concertos (467 4600)

**THEATRE**
Buddy, a musical featuring 1950s rock 'n' roll hits associated with Buddy Holly, is showing in the Kennedy Center Opera House till June 14. The Eisenhower Theater has Once on This Island, a musical tale of love, loss and redemption set in the Caribbean, till July 19 (467 4600). A Shakespeare Theater production of As You Like It is at the Carron Barron Amphitheater till June 14 (426 0486)

**JAZZ/CABARET**
Crosby, Stills and Nash give a concert tonight at Barns of Wolf Trap. Tomorrow: Lyle Lovett and his Large Band. Thurs and Fri: Natalie Cole. Sat: Melissa Etheridge. Sun: Louisiana Swamp Romp (703-218 6500). Sun at Blues Alley Jazz Supperclub: boogie-woogie jazz with Deanna Bogart (1073 Wisconsin Ave, in the alley, 337 4141)

### European Cable and Satellite Business TV

(all times CET)

**MONDAY TO FRIDAY**

*CNN*
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

*Super Channel*
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

*Sky News*
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

**SATURDAY**

*CNN*
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

*Super Channel*
1930-2000 FT Eastern Europe Report

**SUNDAY**

*CNN*
1030-1100, 1800-1830 World Business This Week

*Super Channel*
1800-1830 FT Business Weekly

*Sky News*
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Tuesday June 2 1992

# The isolation of Serbia

THE HORROR of the human tragedy provoked by Serbia first in Croatia and, more recently, in Bosnia and Hercegovina, has at last persuaded the international community to take action. Predictably, critics now maintain that the sanctions adopted by the United Nations Security Council last Saturday have come much too late and should have been approved at least nine months ago. But the necessary consensus was not forthcoming at the time and the US, in particular, made it plain that it did not want to get involved in a far-off ethnic conflict which did not seem to threaten wider international security.

There is little point now in pursuing the argument whether the European Community is more to blame for its incapacity to solve the Yugoslav crisis in the first place, or the US, for washing its hands of the whole affair until outraged domestic public opinion forced the Administration to change its mind. What is certain is that international solutions to crises of this magnitude still require the involvement and commitment of the only remaining superpower, the US.

In spite of the mixed results that international sanctions have had in the past and the bluster of Mr Slobodan Milosevic, the Serbian leader, who boasts that the Serbian economy can survive in spite of them, there is every indication that sanctions will bite deep. This is particularly true of the oil embargo, given that Serbia is dependent for some 75 per cent of its oil needs on foreign suppliers such as Russia, China, Romania and Angola. In the circumstances, it is hard to see how its military effort can be maintained indefinitely, though civilian users of cars and fuel will probably be made to pay the biggest price to keep the military machine going.

## Popular opposition

Equally important will be the effect that shortages, the inconvenience caused to travellers by the suspension of international flights and the disappointment for a football-obsessed people of seeing its team banned from the European championship finals in Sweden, will have on national morale and Mr Milosevic's political standing. The demonstration in Belgrade at the week-end by some 50,000 anti-war protesters was an indication that popular opposition to his policies is growing, at least in the capital.

The peace movement in Serbia, however, is mainly middle class-based. It would be an illusion to believe that it finds much of an echo in the rural Serb and Montenegrin population, not least the Serbs in Bosnia, who look upon the Belgrade government as their main protector and champion. Indeed, Mr Milosevic is far from being his own man in Bosnia, where the leaders of ultra-nationalist irregular Serbian military units are even accusing him of being too soft.

## Perverse effect

There is clearly a risk, therefore, that UN sanctions could have the perverse effect of giving a boost to Serbian nationalism. Even if the Belgrade government were to have a change of heart as the result of international pressure, regional nationalist groups might well decide to pursue their crusade. The Yugoslav partisans demonstrated during the Second World War how effective they were at guerrilla warfare.

If the international community were to wait until Serbia is economically exhausted or Mr Milosevic is overthrown, it could wait for a very long time. Sanctions must be given a fair chance to bring Mr Milosevic to his senses, but if they fail, what then?

International military action can no longer be ruled out as a longer term option. As in the Gulf crisis, such operations would have to be sanctioned by the Security Council, though they would probably have to be undertaken by surrogate organisations such as Nato or the Western European Union. Military action should be restricted to air strikes against strategic targets. It would be most unwise to contemplate sending ground forces, since they might become stuck in Yugoslavia indefinitely and suffer politically unacceptable losses.

But whatever action is finally decided, it is essential that it should be taken by the international community as a whole including the US, which alone has the clout to bring transgressors of international law to heel. Anything less, as has been proved conclusively, is doomed to failure.

# The next step in housing

WHEN THE chancellor, Mr Norman Lamont, meets representatives of the leading building societies this afternoon, he and his ministerial colleagues will no doubt be given reassuring news about repossessions in the housing market. And there is indeed room for modest reassurance: while repossessions remain at historically high levels, the trend has unquestionably improved in the first few months of the year.

Yet it could hardly have been otherwise. Since the government and the building societies agreed in December on a package of measures to help stabilise the housing market, nominal interest rates have fallen further and income support for mortgage interest has been paid direct to lenders, automatically reducing the risk that borrowers will go into default. In addition the societies have recognised the advantages of keeping overstretched mortgagors in the property. With the aid of counselling and renegotiation, otherwise shaky borrowers have been kept afloat to the benefit of both parties.

What is clear at this point is that the improvement in the figures owes precious little to the attempt to encourage defaulting mortgagors to become housing association tenants in the former owner-occupied property. Those who have escaped the problems of the rented sector for the financial strains of home ownership appear singularly reluctant to rejoin the tenantry. The scheme has anyway been criticised for its legal complexity. And from the building societies' point of view the economics look unfavourable, since former owner-occupied property does not enjoy the grants that enable housing associations to charge low rents on new property.

## Enormous pressures

That said, it is hard to see a chancellor who faces enormous pressures on public finances being prepared to contemplate the cost of equalising the financial position of these two forms of tenure. Nor does it seem likely that Mr Lamont will accede to the demands of those who would like to see his temporary relief against stamp duty extended beyond the summer. If it has failed to kick-start the market into a significantly higher level of transactions by now, its point has anyway been lost. The question is why it has failed and what else the government should do, if at all, to help.

By past standards the relationship between house prices and earnings, which was distorted during the boom of the late 1980s, is back to its long term trend level. House prices appear affordable again. Yet buyers remain elusive.

## Affordable prices

One explanation might be the caution-inducing persistence of high real rates interest after a decade in which the personal sector doubled its indebtedness in relation to household income. Another could be that buyers expect prices to look even more affordable in due course. That is far from implausible if the first big fall in nominal house prices since the war causes the speculative investment premium in housing to disappear – an outcome that could be reinforced by the erosion of the real value of mortgage interest relief and the less favourable trend in household formation that is expected later in the decade. Against that background, house prices might well be expected to settle at a lower multiple of earnings than hitherto.

A more tangible factor behind the low volume of transactions is that between half a million and a million buyers are reckoned to have a negative equity in their homes, whereby the mortgage exceeds the value of the house. They are stuck on the bottom rung of the housing ladder and unable to move. It is here that the housing market slump is doing economic, as well as social, damage. In the absence of a more flexible private rented sector, job mobility is reduced.

Existing legislation prevents the building societies from transferring mortgages to a new property by stipulating that they cannot lend more than 100 per cent of value. Where housing equity is already negative this prudential requirement is academic. It also acts as a needless constraint on labour market flexibility. The chancellor should explore the case for a limited relaxation of the legislation to cope with this unexpected consequence of the collapse in house prices.

As UK regulations come under scrutiny, **Norma Cohen** and **Alison Smith** look at the pressures building over the Maxwell affair

# The charge of the pension brigade


The sight of pensioners lobbying MPs at Westminster next Monday will be a graphic reminder of the hardship caused by the failure of schemes controlled by the late Mr Robert Maxwell – and of the pensioners' expectation that the government should play some part in easing their plight.

Since the election, the efforts of MPs campaigning on behalf of the Maxwell pensioners have become more urgent. An all-party group of MPs was set up last month and now numbers more than 100, including some ministers. The subject of pensions' safeguards is moving up the political agenda as the group steps up its activities: tomorrow it will meet to discuss how to exert pressure on banks to help bail out those who lost their life savings in Maxwell pension funds.

"'Pensioner' is a very emotive word," said Mr Richard Thomas, a director of Law Debenture Corporation, the independent trustee to the Maxwell Communication Corporation Pension Scheme. "The role of government is to protect its most defenceless individuals."

More than 30,000 were left without immediate protection after Mr Maxwell disappeared over the side of his luxury yacht last November and auditors discovered £400m was missing from the total assets of £695m in pension schemes he controlled. Already, 240 members of one Leeds-based scheme have had their monthly pension cheques stopped, while 5,000 members of another scheme face a 70 per cent cut in benefits by next month.

The five Maxwell company pension schemes have 32,710 members. Of these, 14,110 are already pensioners, highlighting the extent of the government's dilemma. The largest scheme, representing more than 12,000 present and former Mirror Group Newspaper employees, is being shored up by contributions from the employer. However, the scheme includes hundreds of members who worked for a separate Maxwell company, and Mirror Group has said it will not guarantee the pensions of those individuals.

If any more Maxwell funds stop paying pensions at the end of this month, the government is likely to come under renewed pressure from the group of MPs. "That is when it will get nasty and spill over on to the floor of the Commons," said Labour MP Mr Frank Field, co-chairman of the all-party group.

Ministers have so far rejected the group's plan for a "drip feed" from the government to enable the schemes to continue paying while assets are pursued by independent trustees. The idea of a drip feed, put forward by Mr Richard Page, the Tory MP who co-chairs the group, was intended as a temporary measure until the assets could be located and the most pressing obligations (legal and moral) could be determined.

Ministers are awaiting a report by the Securities and Investments Board, the City's regulatory watchdog, into the role played by Imro, the self-regulatory body for the fund management industry, in overseeing Bishopsgate Investment Management, Mr Maxwell's fund management company.

Pensioners argue that Imro, and by extension the government, did not fulfil its regulatory duties with regard to BIM. It is alleged that BIM allowed securities belonging to the five Maxwell pension schemes to be "loaned" to other Maxwell-related businesses. These were then used, it is alleged, by Mr Maxwell as collateral for loans from UK and international banks. "There will be political pressure on the government to move very, very quickly once SIB is out," Mr Page commented. "It would be unwise not to be there ready with a statement, a position and a series of decisions."

MPs, however, are far from convinced that the government should pick up the entire bill – which could amount to £150m-£200m – to compensate Maxwell pensioners. What they do agree on is that the pensioners have a strong moral case for help from somewhere. Under the law they had no choice about where to invest their funds, or indeed whether to contribute to an occupational pension scheme at all. Until 1988, all employees were required to contribute to a pension scheme if an employer offered one.

While the idea of a government-funded compensation scheme has not garnered wide support at Westminster, the government appears to have softened its position slightly. Miss Ann Widdecombe, a junior social security minister, said it would be "irresponsible" for the government to consider such a fund before investigations into the disappearance of the missing Maxwell assets are complete – but she said nothing had been ruled out.

As political pressure grows at Westminster, the group of 100 MPs is switching its focus from Whitehall to the City, and to the Bank of England in particular. They want the Bank to exert pressure on commercial banks to return some of the securities they received on behalf of Maxwell companies. Some ministers are joining forces with the pensioners' lobbyists to urge the banks to acknowledge their moral obligations. For their part, the banks say that they are studying the matter, but they point out that they accepted the securities in good faith and had no way of knowing that they were pension fund assets.

Mr Field and Mr Page were encouraged when they saw Mr Peter Lilley, the social security secretary, recently by his undertaking to pass on their criticisms to the Bank of England. Last week, Mr Page wrote to Mr Norman Lamont, the chancellor, asking him to put pressure on the Bank to take a more active view of its supervisory role.

The failure of Mr Robin Leigh-Pemberton, the governor of the Bank, to acknowledge publicly that the Bank played a rather too passive role in the Maxwell affair is likely to result in some uncomfortable questions from the group of MPs. The Bank's reluctance to become involved in seeking a solution is also likely to raise some uneasy questions about City regulation in general.

"If the Bank steps back from this it is saying it has no role in regulating the City: it would be entirely wrong for the Bank to step back. This strikes at the fundamental core of how the City runs itself and the basis on which transactions take place," said Mr David Shaw, Tory MP for Dover and another leading member of the MPs' group. He said the entire structure of self-regulation in the City had been called into question, and described as "profoundly unsatisfactory" the prospect of MPs shuttling about in taxis from one regulator to another in search of a single voice to speak for the City.

His remarks echo the findings of the all-party social security committee of MPs in the last parliament. Its report on the Maxwell affair commented that the most striking result of months of hearings was that no single body or individual appeared to have full responsibility for monitoring pension fund activities. "Pontius Pilate would have blushed at the spectacle of so many witnesses washing their hands in public before the committee of their responsibilities in this affair."

One of the main recommendations of the committee will now be implemented. Mr Lilley is about to announce a government review of pension law, although not specifically within the suggested nine-month timescale.

The review will address the fundamental question of the status and ownership of pension funds, but is also set to include other select committee proposals such as: the appointment of independent custodian trustees to hold pension-fund assets, all with clearly designated ownership; the annual right of every pensioner to transfer his or her assets from a pension scheme to another recognised financial institution; and the right of pensioners and contributors to veto transfers of assets to another scheme.

It is also likely to look at the concerns already voiced by Imro, about the difficulties of marrying trust law – the legal framework governing pension funds – and financial services legislation. The strengthening of the Occupational Pensions Board to police a new regime will also be considered.

Now that a portion of the pensions industry has accepted that some sort of compensation fund is needed, one problem is the form the fund would take. The US, Japan and most European countries, including France and Germany, already have such funds. Setting one up in the UK would entail an overhaul of current pension law because the fund would insist that any scheme covered by it met minimum standards.

Mr Brian McMahon, chairman of the National Association of Pension Funds, the industry trade association, has called for scheme members to be eligible to apply to the Investors Compensation Scheme set up under the 1987 Financial Services Act. The ICS allows investors to receive up to £48,000 in total compensation – a paltry sum compared with the potential benefits lost when a pension scheme collapses.

The NAPF has also embarked on a feasibility study of a separate compensation fund. This would be an additional safety net for pensioners whose schemes had failed without sufficient assets to meet all liabilities. One proposal is that it be funded by a levy on all UK pension schemes – an idea which has proved divisive. "On the basis of my postbag, there isn't much support for it," Mr McMahon said. "The postbag tends to be from the larger schemes who say they run good schemes. They don't want to bail out the likes of Robert Maxwell."

Clearly, neither the government nor the industry wants to pay for a compensation fund. The government is waiting to assess exactly how much funding would be needed and to see whether the banks will return some of the securities received on behalf of Mr Maxwell. The industry, on the other hand, wants to reassure pension scheme members that their savings will not disappear if a company fails, but it does not want to underwrite pension fund abuse by an open-ended commitment to a compensation fund.

Over the longer term the government review will be of immense significance for an industry that has operated in an almost unregulated environment. But it will do little for the Maxwell pensioners because they would be outside the scope of any future legislation.

Mr Page compared their position with that of passengers on the Titanic, if they had known that its sinking would lead to new international regulations about lifeboats and safety at sea. "I'm sure they would be delighted that in future people would have more protection, but they are bound to be concentrating on their own predicament."

**Joe Rogaly**

# The essence of leadership

President George Bush was at his best during the Gulf war. For a few heady months the prospect of a *Pax Americana* in the Middle East shimmered before our eyes. Now, as the Earth Summit begins in Rio de Janeiro, the US president is at his worst. He is the elected head of the most powerful nation. His natural role is to lead us. He alone might have been able to make a success of Rio. Instead, he has striven to wreck it. What the planet is getting is not US leadership, but a *Pax Americana*.

This is not to say that Washington should have signed the lengthy draft treaties on global warming and biodiversity without demur. There was, and still is, plenty to argue about. But the head of the single remaining superpower should have taken the initiative. He was right to brush aside absurd Third World demands, but he should have replaced them with reasoned proposals of his own.

A positive treaty curtailing emissions of greenhouse gases, and another protecting threatened species, could have been shaped to fit US thinking. Both could have been kept within manageable bounds by going ahead full steam where the science is clear (on the ozone layer, for example) and sticking to the precautionary principle where there is imprecision (the greenhouse effect). Action could have been confined to the use of market mechanisms, tradable permits, globally-negotiated tax strategies, tied aid, and, where prohibition is the only answer, universal agreements. Many polluting industries would prefer the certainties of regulation to life in a market governed by green consumer pressures. They could have had it.

Mr Bush could have pulled off such an historic deal, had he used his single most outstanding skill: working the telephone. What he has instead bulldozed out of the rest of us is a toothless draft on the global threat and, on preserving plants and animals, a neutered document that the US will now not sign because the president fears the effect on his domestic biochemical industries. I say this as an unashamed admirer of the US. We Europeans would not be enjoying the blessings of a free society if it had not been for the sacrifices of life and treasure made on our behalf by Americans. It is what their current administration is doing to our grandchildren that bothers me.

In his foreign policy, Mr Bush represents the finest in the post-1945 American tradition. He is of the old school – Atlanticist, outward-looking, a skilled diplomat. In his domestic and environmental policies, he looks like a cheap politician, a buccaneering oilman, a prisoner of the new Right. The man who promised to be "the education president" and build a "gentler America" has presided, bewildered, over the rioting in Los Angeles; the candidate who said he would be the "environmental president" speaks today like an enemy of the earth.

**Mr Bush has bulldozed out of the rest of us a toothless draft on the global threat**

One reason is that the intellectual pendulum has swung against action by governments. I was reminded of this by the text of a recent address to the class of 1992 at Fordham university in the Bronx. The speaker, Dr John Brademas, is, like Mr Bush, an American of the old school. There the resemblance ends. Dr Brademas, who is president emeritus of New York University, was a Democratic congressman from Indiana for 22 years and majority whip under president Carter. He worked with the liberal Adlai Stevenson and, as member of a congressional committee, helped draft many of President Lyndon Johnson's bills establishing the "Great Society". In short, he represents everything that today's conventional wisdom says went wrong in the 1960s and 1970s. He was swept out of Congress in the 1980 Reagan landslide.

So why listen to him? Because he has a point. "The essence of leadership in a democratic society," he explained to the Fordham freshers, "is to persuade the electorate to do that which they might not as individuals want to do but know in their hearts they should do for the greater good". Such an approach can lose elections, but nobody is seriously advocating that it is always good campaigning strategy. In office, it is an essential principle.

This is particularly true in the US, whose constitution prevents any one individual, or body, from exercising dominant control. "Often, a president's major challenge is shaping a consensus ... inside his own administration before taking that policy to congress and the people," said Dr Brademas. It is not only big-government big-spenders who need to do this; conservatives too fare best, and serve most beneficially, when they seek to lead in a positive direction.

Mr Bush, like his predecessor, has been hampered by a Democratic Congress, but that is no reason to abdicate the role of leader. President Ronald Reagan did not do so – and, for all his shortcomings, he has lived to see the crumbling of the "evil empire". President Bush or his successor must now strive to ensure that liberal democracy has not triumphed merely to inherit a desert.

# Key is not to produce less – but differently

**Martin Wolf** explores the meaning of sustainable development and the difficulties of putting this idea into practice

How could anyone be in favour of "unsustainable development"? It would be like favouring matricide, the victim being Mother Earth.

Yet what precisely is "sustainable development"? Sustainable development, says the World Commission on Environment and Development, consists of "forms of progress which meet the needs of the present without compromising the ability of future generations to meet their needs".

That does not make one wiser. Try this, instead: "... In the end, sustainable development is not a fixed state of harmony, but rather a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs."

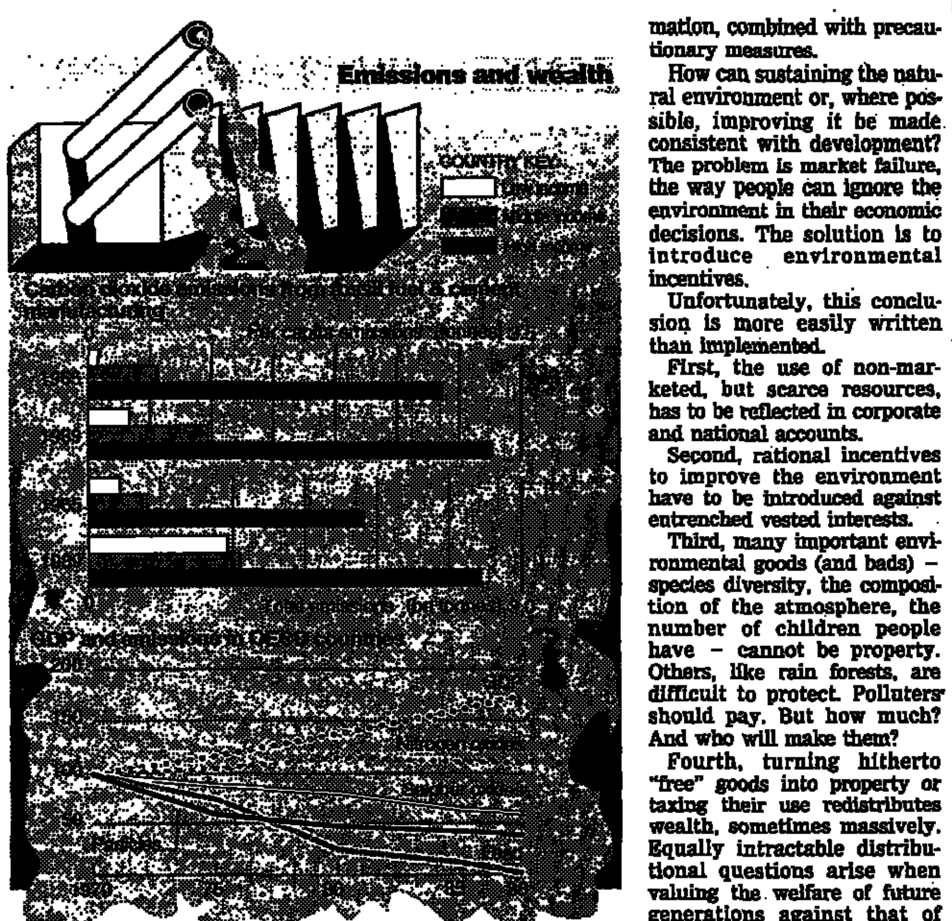
This is merely wordier. What, above all, are future needs? Citizens of rich countries would number among them a standard of living at least as high as that enjoyed today. To most of the world's poor that would be no more related to "need" than is a Rolls-Royce motor car to cost-effective transportation. Fundamentalist environmentalists, who often advocate something like the medieval manorial economy, would agree.

How then can the concept of "sustainable development" be made operational? One way is to recommend that the capital stock be maintained. More narrowly still, it is suggested that not the total capital stock, but the stock of natural resources alone should be maintained. The reason for this restriction is evident. How many miles of road are worth one rhinoceros?

Among the rules suggested for use of the natural capital stock is that there should be "no net losses", meaning that any natural resources should be replaced. Another is "assume the worst": any action affecting the environment is guilty, unless proved innocent.

Yet how many acres of wetlands compensate for a forest? Is a glamorous species on the savanna worth two obscure ones in the rain forest? Unless one advocates the impossible – actions that have no deleterious effect on any ecosystem – the commandment that natural capital must be preserved takes one little further.

The World Commission asserts that sustainable development, "with its concern for the needs of people today and tomorrow, is ultimately a moral and ethical issue". But that is all it appears to be. It is not a policy. Nevertheless, one thought is buried within it: that the globe's ecosystems have limited carrying capacity.



Sources: World Bank, World Development Report 1992

The idea has intuitive appeal. Over the last generation gross global product (GGP) has been growing at more than 3 per cent a year. At that rate, GGP would be 1,600 times greater 250 years from now. Either growth would have ceased long before, or the composition of output would be so different as to be incomparable. Just contrast today's output with that of 1742.

> **Polluters should pay. But who decides how much? And who will make them?**

This notion is the basis for the relative optimism of the World Bank's World Development Report on Development and the Environment. "The key to growing sustainably is not to produce less," it opines, "but to produce differently."

The report argues that there is no linear relationship between economic activity and environmental damage. On the contrary, the emission of many important pollutants has declined with development. This may not be true of municipal waste and carbon dioxide emissions, which have continued to rise with income. But that, suggests the report, is because there have been no incentives for changed behaviour.

The World Bank asserts that the link between economic growth and the environment depends on four factors:

- structure: the goods and services produced;
- efficiency: the quantity of inputs per unit of output;
- substitution: the ability to substitute for scarce resources; and
- technology and management: the environmental damage per unit of input or output.

The report also offers a strategy for "sustainable development", defining that term as "development that lasts". This has three elements:

- build on the positive links: many policies that promote growth – appropriate energy prices, for example – will also improve the environment;
- break the negative links: introduce appropriate incentives and disincentives; and
- clarify and manage uncertain links: where the consequences of human activity are unknown, the response should be the search for further information, combined with precautionary measures.

How can sustaining the natural environment or, where possible, improving it be made consistent with development? The problem is market failure, the way people can ignore the environment in their economic decisions. The solution is to introduce environmental incentives.

Unfortunately, this conclusion is more easily written than implemented.

First, the use of non-marketed, but scarce resources, has to be reflected in corporate and national accounts.

Second, rational incentives to improve the environment have to be introduced against entrenched vested interests.

Third, many important environmental goods (and bads) – species diversity, the composition of the atmosphere, the number of children people have – cannot be property. Others, like rain forests, are difficult to protect. Polluters should pay. But how much? And who will make them?

Fourth, turning hitherto "free" goods into property or taxing their use redistributes wealth, sometimes massively. Equally intractable distributional questions arise when valuing the welfare of future generations against that of those living now.

Finally, some problems run across frontiers. A few affect everyone. Establishing, enforcing and distributing rights to pollute across countries is vastly more difficult than doing that within them.

Nothing raises more difficulties than global warming. Both the size of the threat and its potential economic costs are uncertain; the costs of lower emissions for important interests would be large; the atmosphere is not appropriable; emissions can only be monitored with difficulty; the way in which rights to emit carbon dioxide are allocated would affect the international distribution of income; and overall reductions in emissions would influence inter-generational income distribution as well.

No wonder, developing countries argue that the rich countries want them to stay poor, merely so that they themselves can continue their profligacy. No wonder, too, that developing countries believe they now have goods to offer – more trees, more species, less carbon-dioxide – that the rich want still more than they do.

Rio is just a start to the hard bargaining ahead. If environmental market failure is, in fact, as great a problem as many now believe, a world as divided as ours seems unlikely to deliver a solution.

## OBSERVER

### Step in the right direction

■ Anglo American, having long resisted token appointments of blacks to its board, has now leapt into the deep end by making sociologist Dr Mamphela Ramphele a non-executive director.

While Anglo is doubtless pleased about the symbolic effect of having a black woman on the board, there is nothing tokenistic in the appointment. Indeed, chairman Julian Ogilvie Thompson's comment that she "would bring a new aspect to our deliberations" is an understatement.

Ramphele, a close friend of martyred black activist Steve Biko, who died in police detention in 1976, is a formidable personality, likely to subject Anglo's corporate practices to gruelling scrutiny. Indeed, the dialogue between her and Anglo hard men like Graham Boustred and Lesley Boyd would be worth paying good money to listen to.

A deputy vice-chancellor at Cape Town university, Ramphele made her name as co-author with Dr Francis Wilson of an acclaimed study on poverty. She has been helping Anglo in research to define affordable programmes to alleviate hardship.

The company will have been attracted by Ramphele's robust liberalism, combining championship of the oppressed with the tenet that the state must not encourage a culture of entitlement. But will it be enough to stop those who want Anglo broken up?

### Hard graft

■ Reformed Japanese gangsters are finding it hard to convince potential employers that they can now toe the line.

It seems that gangsters wanting to quit their gang, following Japan's recent crackdown on underworld activities, find that they often have to forfeit a little finger as a punishment. As a result, many would-be good guys say that their missing digit makes them particularly vulnerable now that they are being forced to look for legitimate employment.

However, an entrepreneurial doctor from the north of the country has offered to graft a toe in the place of the missing finger to make the problem less obvious. So far, 20 repentant mobsters have mended their ways.

### Career paths

■ If Marcus Davison, a 42-year-old banker, had hung around at National Westminster Bank as long as young Derek Wanless did, then he too might have stood a chance of being group chief executive of Britain's second biggest bank. However, Davison, like most of the more ambitious young graduates entering British banking in the early 1970s, was bitten by the international banking bug and therein lies a tale.

Whereas Wanless, a contemporary of Davison's at NatWest, has risen farther and faster than anyone imagined, equally ambitious bankers such as Davison have kept on losing their commands. Davison's first port of call after NatWest was dear old Western American Bank, a casualty of the recession before last. He left before the ship went down but was less lucky last week when he lost his finance director's job after the the plug was pulled on DG Investment Bank.

Can any reader beat Davison's unfortunate career record? All of the six banks he has worked for are now but a memory in the headhunters' files. The name plates of Davison's old employers such as European Asian Bank, European Banking Company, and Philadelphia National Limited, have long since disappeared. Indeed, Davison now wonders whether he should write to prospective employers asking them to make him a modest subscription in return for his promise never to darken their doors as an employee. With this sort of capital he should be able to start his own bank.

"I'm new here – what are we drawing straws for?"

### Right choice

■ When it comes to political infighting, Italy's bankers are almost as professional as their legislative neighbours. Hence there is some relief that technocrat Giuseppe Zadra has seen off the opposition and collected the directorship of Italy's bankers' association.

In many other countries the post would be regarded as a restbed for weary commercial bankers. But not Italy. At a time when the country's fragmented and inefficient banking system is on the brink of substantial change, Zadra will be in a powerful position to influence the cause of sensible reform. He will not be as easily swayed off course by political undercurrents as some previous incumbents.

During his seven years as head of the stock market division at Consob, Italy's stock exchange and companies' watchdog, the 51-year-old Zadra helped transform Italian equity trading. A fluent English-speaker he has been a tough defender of the new bourse rules against foreign critics.

Tancredi Bianchi, the professor of banking who chairs the bankers' association, was so desperate to recruit Zadra that he reportedly threatened to resign himself, if his colleagues baulked at his choice.

### Inflation

■ While there is no such thing as a recession-proof industry, canny investors might do worse than inspect the UK brassière market. According to the research organisation Mintel, British women spent £450m on 84m bras in 1991, up from £388m on 71m in 1989. The market is also changing shape. There is a "a swing towards the more glamorously styled, underwired bra", and the average size has gone up to 36C from 34B in just ten years. The manufacturers are putting the increase down to "more exercise and the use of the pill".

### Comprehensive

■ A politically incorrect reader recalls once going into his bank and seeing on the counter a pile of booklets entitled: Questions Housewives Want Answered About Money.

On the cover of the top one, someone had written: Where has it all gone to? How can I get some more?



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## The myth surrounding vocational training

*From Ms Lesley Ellis.*

Sir, May I express my amusement at your article "Vocational tests body comes under attack" (May 28). Part of the problem in this debate is that everyone is trying to compare apples with pears.

The competence-based approach quite rightly (if you are an employer) insists that the key issue is that an individual demonstrates his or her ability to do a particular job competently. It recognises that, to do so, the person needs some theoretical knowledge, but it focuses primarily on the acquisition of appropriate skills. How sensible!

The traditional academic approach quite rightly (if you are trying to develop an academic) concentrates on giving a large amount of knowledge but training the student in a limited range of skills, primarily research, analysis and argument.

Unfortunately, somewhere along the road a lot of business training was developed using the academic model. The competency approach is demonstrating just how poorly the other translates into practical skills. This is the real cause for all the academic sound and fury.

Your own final paragraph continued with the woolly thinking and typical British snobbery that has dominated this debate. It implies that it is strange to consider a set of practical competences, including handling documents and answering phone calls, as equivalent to a GCSE. Why?

As both a graduate in physics and an experienced manager, I find no difficulty in recognising, the breadth of competences defined by the Management Charter Initiative level 1 (NVQ level 4) for example, as broadly equivalent to my degree course.

Yours is a respected newspaper; please do not continue to propagate the myth that the ability to demonstrate academic knowledge is much more difficult or important than demonstrating a range of administrative, managerial or practical skills.

Lesley Ellis,
*Focus Personnel Consultancy,*
*Flinders House,*
*Powntley Copse,*
*Nr Alton,*
*Hampshire*

## Rates burden having destructive effect on empty properties

*From Mr Michael Pattison.*

Sir, The present "empty rates" regime is leading to a depressing bout of destruction similar to that of the 1980s when roofs were taken off factories to escape liability for rates. Industrial property and warehouses have since become exempt, but offices remain liable. We know of one major plc currently thinking of "stripping out" an office block in the City in order to avoid a rate liability of £1.5m. The property would have little potential for redevelopment even in a bullish market. The current state of the market makes it virtually unlettable.

The government must act immediately to stop this destructive course. The period of grace should be extended from three months to one year and the liability itself reduced to 40 per cent followed by further phased reductions. Unless action is taken, this highly destructive process of "stripping out" is bound to continue. Such a situation does little to enhance the image of our system of business taxation, the prestige of the City of London and the position of business ratepayers generally.

The Non-Domestic Rating Bill currently before parliament will do much to help businesses suffering from the combined effect of the introduction of the uniform business rate and the 1990 revaluation. But the bill offers no help to those businesses facing huge liabilities for property which is unoccupied.

Empty rate liability – currently 50 per cent of the total liability following a three-month period of grace after occupation ceases – was introduced to discourage developers from deliberately keeping property empty. The notorious case of Centre Point in the 1960s highlighted the problem. Since then, however, times have changed and nobody welcomes having empty property on their hands.

The collapse of the commercial property market – the effects of which have been particularly marked in the City of London – has thrown the unfairness of empty rate liability into stark relief.

Michael Pattison,
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*Chartered Surveyors,*
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## Realistic small company audit

*From Mr Andrew Likierman.*

Sir, In the debate about whether a statutory audit should be retained for small companies ("Easing the burden of small company audits", May 28) the CIMA supports a middle way. By allowing a form of certification by a qualified accountant, the full panoply of the audit would not be required while independent assessment would remain as a safeguard. This would not only be more realistic in balancing such factors as protection of interested parties and cost, but would bring the UK more into line with other EC members.

Andrew Likierman,
*president,*
*Chartered Institute of*
*Management Accountants,*
*63 Portland Place,*
*London W1N 4AB*

## Rationale for European Central Bank in London

*From Mr David Courtney.*

Sir, The siting of the proposed European Central Bank is already becoming a subject of profound and widespread debate across Europe and is one which will intensify over the coming months. One central issue, agreed upon unanimously, is that the ECB must be immune from political interference in order to be truly effective.

With this in mind, it should be made clear that although the ECB should be politically independent, it cannot be independent of the financial markets themselves. As such, to locate the ECB anywhere other than in the best-equipped financial centre would, by definition, be a triumph of politics over commercial commonsense and would defeat the very basis of this principle.

In terms of the derivatives markets, London and Liffe must be considered to be in an unassailable position to accommodate the prospective activities of the ECB and is clearly able to demonstrate its advantages over its contemporaries. As initially, the ECB will only be active in interest and foreign exchange rate management, the primary derivative instruments underlying this activity will be short-term Ecu interest rate futures and options.

Given that Liffe is the only exchange upon which this contract is listed at present and that Liffe also lists similar contracts on several other European short-term interest rates, its aggregate volume is vastly superior to any other European derivatives exchange.

The DTB in Germany has no short-term interest rate derivatives listed, whereas the Matif in Paris, which is the second largest exchange in Europe in this respect, traded in 1991 the equivalent of just 25 per cent of the total turnover of the European interest rate contracts recorded on Liffe.

This being true, the home of the ECB, so far as the derivatives markets are concerned, can surely only be based in London.

David Courtney,
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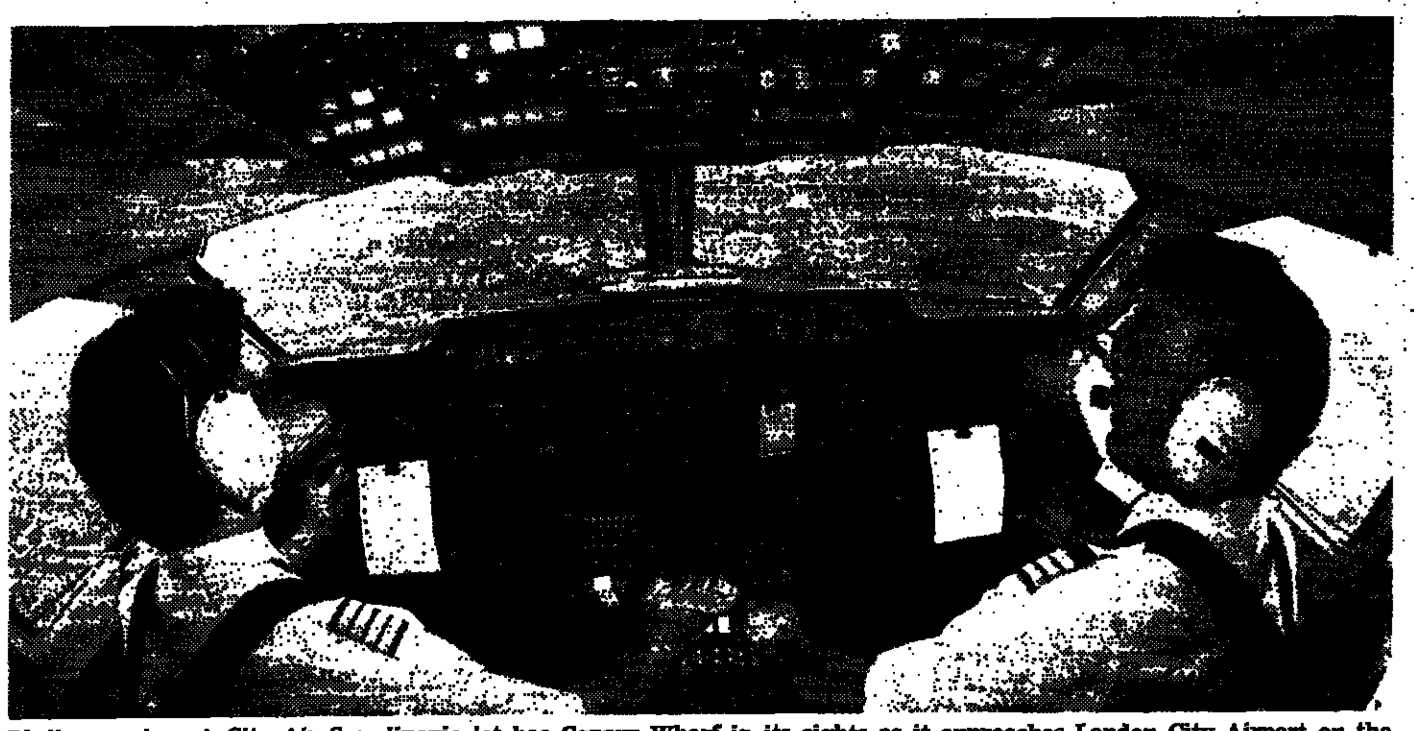
FINANCIAL TIMES
Tuesday June 2 1992





Bird's eye view: A City Air Scandinavia jet has Canary Wharf in its sights as it approaches London City Airport on the inaugural flight from Stockholm – the first scheduled service from the city's Bromma airport in 18 years Picture, Glyn Genin

# Hanson believes Canary Wharf project worth £600m at most

**By Roland Rudd, Vanessa Houlder, Ivo Dawnay and Michael Smith in London**

TWO potential corporate purchasers of Canary Wharf have separately concluded that the insolvent office project in London's Docklands is worth no more than £600m ($1.1bn).

Hanson, the Anglo-US conglomerate, and P&O, the UK shipping and property group, would be likely to offer considerably less than that figure if either decided to bid for the development.

Canary Wharf was put into administration, a UK insolvency procedure, last week by Olympia & York, its Canadian owner.

Hanson's and P&O's conclusions about the value of Canary Wharf emerged yesterday as the government's proposals to move government officials to Docklands came under fire from Westminster Council, central London landowners and unions.

They yesterday stepped up their lobbying of senior ministers, including Lord Wakeham, the lord privy seal, who is co-ordinating all government negotiations over Canary Wharf.

Lord Wakeham yesterday also met Lord White, chairman of Hanson Industries in the US and Lord Hanson's partner.

According to one of Hanson's financial advisers, Lord Wakeham was told that Hanson would be interested in making a bid only if banks wrote off most of Canary Wharf's £1.2bn debts and the government proved flexible over O&Y's promised £400m contribution to extend London Underground's Jubilee Line to east London.

Lord Sterling, chairman of P&O, which has been closely involved in Canary Wharf's development as owner of Bovis, the construction company, would not consider putting in more than a few hundred million pounds of new money if it decided to make a bid, according to a financier close to P&O.

The opposition Labour party is set to press Mr Michael Howard, environment secretary, today to explain what criteria will govern any decision to move Whitehall departments or agencies and on the future of the Jubilee line.

At a meeting of senior ministers chaired by Lord Wakeham, Mr Michael Portillo, chief secretary to the Treasury, made clear any move could only be approved on grounds of value for money.

Mr David Weeks, leader of Westminster Council, warned yesterday that an exodus of 4,000 government officials to Docklands could have a "very severe" impact on the economic health of Victoria, where many government offices are located.

The run-down of the area could prompt other organisations to leave, probably for mainland Europe, he said.

Central London property owners including Land Securities and Chesterfield Properties yesterday urged the government to put the health of central London before Docklands. "It should not take a decision for political expediency to the detriment of central London and the taxpayer," said Mr Peter Hunt, chairman of Land Securities.

If Hanson acquired Canary Wharf, Lord White said, it would have an enormous property arm which would include 3,715 acres of land in the San Francisco bay area, 350 acres of land belonging to London Brick in Peterborough, in central England, as well as property attached to ARC, the UK-based building products group it acquired with Consolidated Gold Fields.

Lord White said: "We are heading into this as fast as we can. Our team is moving right away to see the administrator. This could be one of the most exciting projects. If we did acquire the development it would make a good fit with our property redevelopment plans in the US."

# Tokyo to complain over EC review

**By Robert Thomson in Tokyo**

THE Japanese government, in an unusual show of anger, plans to send a letter to the EC this week to complain that a recent Commission review of relations was "one-sided" and "inappropriate".

The letter, still in draft form, uses far tougher language than the usually understated Japanese comments on foreign policy issues.

The Ministry of Foreign Affairs argues that a Commission review of relations, delivered late last month, should have enhanced the relationship between Brussels and Tokyo but instead was "discouraging".

Japanese anger stems from the Commission's stress on economic issues and from the tone of the report, which, for example, says the EC "must convince Japan" to cut its trade surplus and that direct talks may be needed to open its markets.

The degree of Tokyo's irritation also reflects a deeper frustration with the Commission's policies and, in the view of Japanese officials, its neglect of opportunities to improve political and cultural ties.

Japanese officials argue that bureaucrats in Brussels have not noted improvements in the country's bilateral links with individual EC states. Tokyo says the Commission report breaches the spirit of a Japan-EC Joint Declaration signed last year and intended to broaden the relationship beyond economic issues.

The EC reluctantly signed the declaration, after first demanding that it be preceded by a more balanced trade relationship.

"Japan had expected the [Commission] communication to be a positive message, reflecting the on-going co-operation between Japan and the EC based on the Joint Declaration," a senior foreign ministry official said.

"However, the communication raises the concern that it could rather be counter-productive in promoting the spirit of co-operation growing between Japan and the EC," he added.

The Tokyo letter will suggest that parts of the document are "revisionist" – implying that Japan is different from the rest of the world and needs to be treated as such, particularly by trade negotiators attempting to improve market access.

Tokyo is sensitive to this accusation. Japanese officials believe that it can undermine the country's acceptance by the international community and, in certain forms, is little more than racism.

The letter will also argue that, if the EC wants to redress the trade imbalance, EC companies should expand their exports.

# German industry's Eurofighter 'error'

**By Quentin Peel in Bonn**

GERMANY'S aerospace industry made serious tactical blunders in its campaign to participate in building the European Fighter Aircraft, and now has virtually no chance of winning support for the project in the Bundestag, according to a leading parliamentary defence spokesman.

Mr Werner Hoyer, the defence expert for the Free Democrats, warned that the issue would be decided on an emotional, not factual, basis. He is a member of the six-man working group which met last night to recommend the degree of Germany's future participation in the joint project to build a sophisticated fly-by-wire fighter aircraft with Britain, Italy and Spain.

Interviewed before the meeting, Mr Hoyer said that in the present climate of budget cuts there was no hope of putting together a parliamentary majority in favour of allocating more funds next year to the EFA project.

The disagreements about the aircraft within the governing German coalition were made clear yesterday when two leading politicians differed fundamentally on what should be done.

Mr Erich Riedl, a member of the Christian Social Union (CSU) and state secretary in the Economics Ministry, said tens of thousands of jobs in the German aerospace industry would be lost if Bonn pulled out of the project.

The opposite viewpoint was put by Mr Peter Hintze, newly appointed as secretary-general of Chancellor Helmut Kohl's Christian Democrats (CDU). Mr Hintze said the Eurofighter project was not appropriate "in the changed financial and security situation in a united Germany".

The CSU succeeded in having a decision on the project deferred, with tomorrow's joint meeting of the CDU/CSU parliamentary group postponed to June 16.

But Mr Hoyer believes that, in spite of the delay, the fate of German participation is sealed.

"The decisive point in our report is whether the working group recommends, or whether the defence minister recommends, allocating some DM100m ($61m) in the 1993 budget for pre-production costs [for EFA], to purchase the tools needed for later construction," he said.

"The decision to put this into the budget will be seen as a point of no return. But there is no majority in the Bundestag in favour.

"It is a catastrophic mistake by the German [aerospace] industry to have insisted on this.

"They thought they could get a positive decision now, and that was a huge mistake."

# Secret Maxwell companies

Continued from Page 1

they understood that Sphere was a direct subsidiary of the Maxwell Charitable Foundation in Liechtenstein.

Mr Werner Keicher, trustee of the Maxwell Foundation in Liechtenstein, confirmed that there was a link between Sphere and the Foundation.

Because of uncertainty about future ownership Mr Louie has been talking to potential backers.

Spectrum Holobyte specialises in sophisticated computer games such as Falcon, used by the Pentagon, which simulates flying the F-16 fighter aircraft.

Ms Christine Maxwell declined to comment yesterday on Sphere's current ownership and assets when contacted at Research on Demand, the San Francisco company of which she is director.

# Earth Summit

Continued from Page 1

put our own houses in order.

"It is not a beauty contest but while we in the EC have increased development aid to 0.5 per cent of GNP the US has cut its from 0.3 to 0.2 per cent."

After a series of meetings with community members in Rio Mr Brinkhorst said 10 of the 12 member countries had reiterated their intention to sign up to a bio-diversity treaty. He said "we intend to make this known to the US".

Britain, which with France is expressing reservations on the treaty, has not ruled out signing, according to Mr David Maclean, the junior environment minister.

Several leading developing countries were apparently reconsidering their position on signing the treaty on climate change in response to the US decision.

## World Weather

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 34 | 93 |
| Algiers | F | 25 | 77 |
| Amsterdam | F | 24 | 75 |
| Athens | C | 25 | 77 |
| Bahrain | S | 34 | 93 |
| Bangkok | F | 37 | 99 |
| Barcelona | C | 19 | 66 |
| Beijing | S | 32 | 90 |
| Beirut | | - | - |
| Belfast | F | 18 | 64 |
| Belgrade | S | 26 | 79 |
| Berlin | S | 26 | 79 |
| Biarritz | R | 17 | 63 |
| Bombay | F | 32 | 90 |
| Bordeaux | F | 21 | 70 |

| | | °C | °F |
|---|---|---|---|
| Boulogne | C | 18 | 64 |
| Brussels | F | 23 | 73 |
| Budapest | F | 24 | 75 |
| Buenos Aires | F | 17 | 62 |
| Cairo | S | 31 | 88 |
| Cape Town | F | 14 | 57 |
| Caracas | F | 31 | 88 |
| Casablanca † | C | 21 | 70 |
| Chicago | | - | - |
| Cologne | F | 25 | 77 |
| Copenhagen | S | 23 | 73 |
| Corfu | S | 27 | 81 |
| Dallas † | Fg | 18 | 64 |
| Dublin | C | 17 | 63 |
| Dubrovnik | | - | - |
| Edinburgh | C | 15 | 59 |
| Faro | F | 22 | 72 |
| Florence | S | 23 | 73 |

| | | °C | °F |
|---|---|---|---|
| Frankfurt | F | 24 | 75 |
| Geneva | S | 22 | 72 |
| Gibraltar | C | 22 | 72 |
| Glasgow | C | 19 | 66 |
| Helsinki | F | 23 | 73 |
| Hong Kong | C | 27 | 81 |
| Innsbruck | F | 24 | 75 |
| Inverness | C | 16 | 61 |
| Islamabad | F | 34 | 93 |
| Istanbul | F | 22 | 72 |
| Jakarta | R | 32 | 90 |
| Johannesburg | S | 19 | 66 |
| Lisbon | F | 19 | 66 |
| London | C | 19 | 66 |
| Los Angeles † | C | 17 | 63 |
| Luxembourg | C | 20 | 68 |
| Madeira | C | 20 | 68 |
| Madrid | C | 18 | 64 |

| | | °C | °F |
|---|---|---|---|
| Majorca | R | 20 | 68 |
| Malaga | F | 24 | 75 |
| Malta | S | 27 | 81 |
| Manila | C | 31 | 88 |
| Melbourne | F | 14 | 57 |
| Mexico City | | - | - |
| Miami † | S | 26 | 79 |
| Milan | C | 23 | 73 |
| Montreal † | C | 15 | 59 |
| Moscow | S | 24 | 75 |
| Munich | S | 26 | 79 |
| Nairobi | F | 26 | 79 |
| Naples | | - | - |
| Nassau | C | 30 | 86 |
| New Delhi | S | 36 | 97 |
| New York † | C | 17 | 63 |
| Nice | R | 21 | 70 |
| Nicosia | S | 23 | 73 |

| | | °C | °F |
|---|---|---|---|
| Oporto | S | 16 | 61 |
| Oslo | S | 27 | 81 |
| Paris | C | 19 | 66 |
| Prague | F | 24 | 75 |
| Reykjavik | R | 9 | 48 |
| Rhodes | S | 25 | 77 |
| Rio d'Janeiro | C | 32 | 90 |
| Rome | C | 24 | 75 |
| Salzburg | F | 24 | 75 |
| S'Francisco † | C | 13 | 55 |
| Seoul | S | 29 | 84 |
| Singapore | R | 25 | 77 |
| Stockholm | F | 27 | 81 |
| Strasbourg | T | 24 | 75 |
| Sydney | S | 20 | 68 |
| Taipei | F | 29 | 84 |
| Tangier | R | 22 | 72 |
| Tel Aviv | S | 25 | 77 |

| | | °C | °F |
|---|---|---|---|
| Tenerife | F | 21 | 70 |
| Tokyo | S | 22 | 72 |
| Toronto † | S | 13 | 55 |
| Tunis | F | 29 | 84 |
| Valencia | F | 25 | 77 |
| Venice | C | 22 | 72 |
| Vienna | C | 21 | 70 |
| Warsaw | F | 23 | 73 |
| Washington † | S | 17 | 63 |
| Zurich | F | 23 | 73 |

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

## THE LEX COLUMN

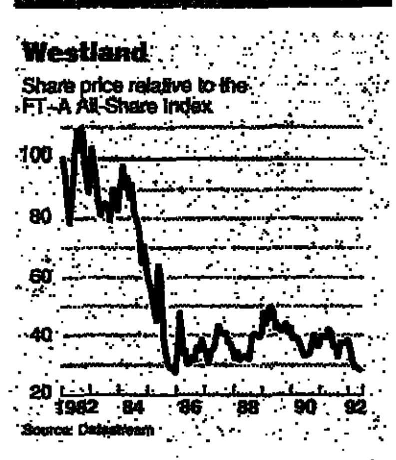
# The accountants' audit

Judging by yesterday's figures from the big UK accountants, the Accounting Standards Board has a strong case for extending its brief. As usual, the various partnerships declined to volunteer how much they profited from the vicissitudes of their clients. The largest among them quietly slipped in a prior-year adjustment to give the appearance of a flat performance, when the truth was slightly worse. Legal obligations aside, when it comes to disclosure they are up there with the worst of their clients.

All the same, one gathers that accountants are not much different from other service companies. Granted, they were late into this recession, while their greater diversity of operations gave a degree of protection at group level – Arthur Andersen increased fee income in its consulting business by 30 per cent. More generally, UK demand for insolvency and tax advice was steady enough to offset some of the pressure on the basic audit business, while corporate finance for smaller companies was surprisingly resilient.

Nevertheless, lower corporate activity and increased competition led to some painful adjustments last year. Price Waterhouse, for example, reduced its UK cost base by nearly £30m. In the absence of recovery among its clients, it is unable to rule out a further round of cuts. But until they disclose profits, only the partners will know whether they are doing a good job.

**FT-SE Index: 2697.6 (-10.0)**




## Westland

Westland's days as an independent company may be numbered. But there is still time for those analysts and institutions who wrote the group off as a basket case to have another look at the shares. Yesterday's 11 per cent advance in interim pre-tax profits was an impressively solid performance and demonstrates that the bloated cost base has finally been brought under control. Margins improved in all divisions, but most notable was the way the fall in helicopter profits was kept to just 16 per cent, when turnover from this activity dropped 30 per cent. Helicopter deliveries are currently running at just 10 a year, a sixth of the level in the mid-1980s.

The bull argument is that Westland is in the middle of a trough from which it will emerge triumphant in the middle of this decade. Its Sea King and Lynx will keep profits ticking over for the next couple of years. Thereafter the market for the EH101 could be enormous. The Ministry of Defence order is in the bag, but the Italians and Canadians, as well as North Sea operators, are among those expected to buy. Add in the possibility of a Black Hawk order from the Saudis and the huge civil order book on the aerospace side, and the shares more than justify their current year multiple of 13.

The trouble with all this is the timing. The EH101 may occupy an attractive niche in one of the few defence sectors which is growing. But until the overseas orders start to materialise the market will doubtless treat the company's ambitious long-term forecasts with some scepticism.

## Electricity

Until the government decides just how it intends to privatise British Coal, there will be rich seams of confusion to mine. It is pertinent, all the same, to ask what the rumoured quashing of the so-called dash for gas might mean for the UK electricity industry. The short answer is relatively little. Arguably, the majority of planned gas stations will never be built anyway, either because they will not be given permission or, more simply, because there is not gas to go round.

A more complicated response concerns the consequences for the two generating companies. On the face of it, they would lose out because their dependence on coal would remain uncomfortably high. In reality, the impact would probably be rather more favourable. Assuming Mr Michael Heseltine steps in, the generators' market share will gain a degree of protection as competitors fall away. They would also be spared the capital cost of at least three large gas-fired power stations. In the case of National Power, that could leave up to £500m of cash looking for an alternative use.

Perhaps most important, the generators' hands might be strengthened in negotiations over future contracts with British Coal. They could extract a higher price for agreeing to take more domestic coal, helped by the knowledge that the government might also be making plans to dispose of its remaining 40 per cent stake in them. Thus, the market was probably right to mark the generators' shares higher yesterday.

## US economy

So far it looks as though the strong personal income/consumer spending patterns and weak output/employment trends which marked the first quarter in the US will be reversed in the second three months. While yesterday's jump in the widely watched US purchasing managers' index for May to some extent merely makes up ground lost in April, the advance is nevertheless consistent with a relatively robust manufacturing recovery. It also suggests that the US is well ahead of the UK at this stage in the cycle. All six components showed good gains, with the employment number bolstering hopes that Friday's eagerly awaited official May job statistics will show an improvement.

## Sears

Sears' executive pay remains modest by the standards of Burton under its old management: according to its latest annual report and accounts, the entire board received emoluments worth a mere £1.6m last year. It is nevertheless curious that this was a 35 per cent increase on the previous year. Sears' pre-tax profits fell by 45 and 37 per cent in the last two years respectively, so there was little by way of performance-related pay in the directors' pot.

The explanation lies in a series of boardroom expansions and reshufflings during the year, including an unfortunate six-month period when there were two chief executives on the pay-roll. Investors will doubtless watch with interest what happens to directors' pay if the group's much-vaunted recovery finally gets under way.

FINANCIAL TIMES
# COMPANIES & MARKETS
Tuesday June 2 1992



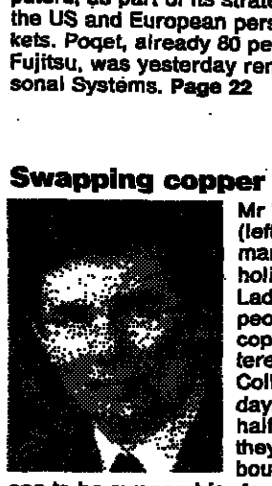


**INSIDE**

### Fujitsu takes full control of Poqet

Fujitsu, the Japanese computer group, is taking full control of Poqet Computer, a pioneer in the US market for pocket-sized personal computers, as part of its strategy for moving into the US and European personal computer markets. Poqet, already 80 per cent owned by Fujitsu, was yesterday renamed Fujitsu Personal Systems. Page 22

### Swapping copper for the Lada



Mr Vladimir Koskov (left), a mild-mannered man of 40, is offering holidays in Spain and Lada cars to encourage people to collect scrap copper liberally scattered across Russia. Collectors earn eight days in Spain for every half a tonne of copper they deliver. He has also bought 100 Ladas, each one to be swapped for four and a half tonnes of the scrap. Page 28

### Westland strengthens links

Westland, the UK helicopter group which yesterday reported a 10.6 per cent rise in interim pre-tax profits, is strengthening its links with Agusta, the Italian state-controlled helicopter company, in an effort to create a second European helicopter partnership to compete against the recently established Franco-German Eurocopter venture. Page 27

### Image at the core of cider

Cider. The word conjures up images of the rural English countryside filled with felt-capped yokels leaning on five-bar gates. Or it might trigger images of 'gentlemen of the road', or comatose students, indulging in one of the most cost-effective ways of getting drunk. For Mr Peter Adams (above), chief executive and managing director of Taunton Cider, the West Country company coming to the market next month, image remains central to the future. Page 26

### Making the China connection

Hong Kong listed companies are announcing a mass of property developments to cash in on current pro-China fervour. Shenzhen has evolved from sleepy Chinese town to chaotic metropolis in 12 years, and its property market has begun to resemble Hong Kong. Page 23

**Market Statistics**



**Companies in this issue**



**Chief price changes yesterday**

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Springer Axel | 605 | + | 10 |
| Wella Prf | 561 | + | 12.5 |
| **Falls** | | | |
| Asko Prf | 690 | − | 20 |
| Holzmann | 1165 | − | 15 |
| Linde | 868 | − | 6.5 |
| Rheinelektra | 1210 | − | 26 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Chrysler | 19⅝ | + | 1¾ |
| Citicorp | 19⅜ | + | ¾ |
| Ford | 46⅜ | + | 1⅞ |
| Gen Motors | 41⅝ | + | 1¾ |
| Waste Man | 38 | + | 2⅜ |
| **Falls** | | | |
| Conn Edison | 31½ | − | 1½ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| EBF | 668 | + | 32 |
| Industrielle | 6700 | + | 190 |
| **Falls** | | | |
| Accor | 774 | − | 23 |
| Damart | 3220 | − | 154 |
| Immobanque | 659 | − | 34 |
| Orsan | 205 | − | 10 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Nippon Elec | 441 | + | 31 |
| Nippon Formula | 603 | + | 52 |
| Sansui Elec | 337 | + | 80 |
| Yuasa Funashoku | 390 | + | 30 |
| **Falls** | | | |
| Lec | 25 | − | 2 |
| Toho Rayon | 540 | − | 47 |

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| AirflowStrm | 123xd | + | 8 |
| Amber Day | 64 | + | 6½ |
| Body Shop | 305xd | + | 11 |
| Danka Business | 224 | + | 10 |
| Devenish (JA) | 278 | + | 7 |
| Eurocopy | 56 | + | 6 |
| Fisons | 363 | + | 13 |
| Forth Ports | 184 | + | 7½ |
| Gardner (DC) | 41 | + | 5 |
| Learmonth & B | 87 | + | 13 |
| Pentland | 134 | + | 5 |
| Powell Duffryn | 386 | + | 8 |
| Proteus Intl | 467 | + | 39 |
| Speyhawk | 12½ | + | 4 |
| Thorn EMI | 848 | + | 13 |
| Westland | 117 | + | 3 |
| **Falls** | | | |
| Cable & Wire | 563 | − | 12 |
| Euro Disney | 1188 | − | 25 |
| Leigh Intrsts | 284 | − | 12 |
| Premier Cons | 24½ | − | 1½ |
| Sunset & Vine | 160 | − | 8 |
| Vodafone | 374 | − | 10 |

Leading South African group raises dividend on hopes of economic recovery

## Anglo American rises 15% to R2.45bn

By Philip Gawith in Johannesburg

ANGLO American Corporation, South Africa's largest company, yesterday signalled optimism about the prospects for an economic upturn by lifting its dividend 6 per cent on the back of maintained earnings for the year to the end of March.

Mr Julian Ogilvie Thompson, chairman, said he was pleased with the results given the background of a quiet world economy and weak commodity prices. The result was testimony to the strength and diversity of the group's interests, in terms of location, commodities and industry, he said.

Pre-tax income rose 15 per cent to R2.45bn ($865m), consisting mainly of R1.65bn investment income, R507m trading income, and R222m surplus from the realisation of investments.

The increased surplus on realisation of investments, up from R47m in 1991, is the result of the sale of a number of holdings. The R630m realised from the sale of large stakes in First National Bank and Gencor was treated as extraordinary income, with R500m set aside as a general provision against the carrying value of investments and loans.

Although attributable earnings were 20 per cent higher at R1.68bn, helped by the investment surpluses, the retained earnings of associate companies dropped by 22 per cent to R927m, leaving equity accounted earnings marginally higher at R2.61bn, from R2.59bn.

A break down of earnings shows the main contribution - 24.5 per cent - coming from diamonds. Last year diamonds contributed 29.1 per cent. Other contributions came from mining finance (21.6 per cent), industry and commerce (14.3 per cent), gold and uranium (9.4 per cent), platinum and base metals (9 per cent), financial services and property (8.5 per cent) and coal (6.4 per cent). Investment surpluses and other net income contributed 6.3 per cent (against 0.3 per cent).

Mr Ogilvie Thompson said he was optimistic that there was scope for an upturn in the South African economy.

He expressed disquiet, however, at possible plans for mass action announced by the African National Congress saying these would not accelerate a political settlement, but would delay an economic upturn.

In terms of commodity prices, he said Anglo American felt gold had bottomed, diamond retail sales looked like they would be higher than in 1991 and there were also signs of an upturn in steel and alloys sales.

Attributable earnings per share rose to 724 cents from 604 cents and the dividend was lifted to 345 cents from 325 cents per share.

## Dunhill buys Karl Lagerfeld business

By William Dawkins in Paris

MR KARL LAGERFELD, the German designer who is one of the brightest stars of French fashion, yesterday agreed to sell his business to Dunhill Holdings, the British luxury goods group.

Lord Douro, chairman of Dunhill, said he paid "less than FFr160m" ($29m) to buy Karl Lagerfeld from Révillon Luxe, the privately owned French group which used to control it.

The Karl Lagerfeld business, which includes a Paris-based haute couture house, a shop on the exclusive Rue du Faubourg St Honoré near the Elysée palace, the French company's trade marks, a franchise and a network of foreign boutiques.

In return, Mr Lagerfeld has agreed to again become designer for Dunhill's Chloé ready-to-wear fashion business, acquired by the British company in 1985. He will present his first Chloé collection in October, said Lord Douro.

Mr Lagerfeld used to work for Chloé in the 1970s but left when Dunhill took over.

He was hired by Chanel where he is credited with having restored the group's image and fortunes. It is understood that he will continue to design collections for Chanel.

"This acquisition is evidence of our strategic objective to have a significant investment in the female luxury fashion market worldwide," said Lord Douro.

"We look forward to further growth in the Lagerfeld and Chloé brand names over the coming years," he said. Both brands' distribution and franchise networks would be enlarged.

There would be no senior management changes, so that Mr Ralph Toledano would continue as Karl Lagerfeld's managing director and Mr Jean-Claude Pledelievre will stay on as Chloé's managing director, said Lord Douro.

Several leading Parisian fashion houses are believed to be incurring losses, after two years' of recession, worsened by the temporary blow of the Gulf war. Like most of its French competitors, Karl Lagerfeld does not publish results. It would be surprising if it were not affected by the fashion industry downturn.

Dunhill also owns Mont Blanc pens and Hackett, a chain of classic English clothing stores, as well as marketing its own brands of accessories and clothes.

● Christian Dior, the fashion house which was floated on the Paris stock exchange last year, yesterday reported a 12.3 per cent net profits increase for 1991.

The group, owned by Mr Bernard Arnault's Financière Agache holding group, made FFr902m net. Operating profits rose from FFr5.89bn to FFr6.53bn.

Coca-Cola is pouring resources into the former communist countries in a battle for market share, writes **Guy de Jonquières**

## A new red flag flies over eastern Europe

As the countries of the former Soviet Union and eastern Europe adjust to life after communism, Coca-Cola, the world's largest soft drinks company, is pushing ahead aggressively with plans to turn them red again.

Gdynia, on Poland's Baltic coast, has just been given the treatment. Dozens of Coca-Cola salespeople dressed in the company's scarlet livery swarmed through the city brandishing scarlet promotional material to mark the opening on Sunday of the first of several new Coke bottling plants in the country.

The plants are important in Coca-Cola's efforts to come from behind in the battle for eastern Europe's markets, where PepsiCo, its smaller US arch-rival, has long had extensive operations and sells up to three times as many soft drinks. Only in Yugoslavia does Coke out-sell Pepsi. Nor is Pepsi standing still. It is stepping up investments to help its more than 60, mainly state-owned, bottlers modernise and to strengthen distribution, sales and marketing. Ms Susan Hooper, Pepsi's marketing director for eastern Europe, says competition is so intense that a regional "cola war" is looming.

For both companies, the potential looks almost limitless. Per capita consumption of soft drinks in the region is far below western European levels, and western products are a fraction of total sales. "Clearly, these will be among our fastest-growing markets anywhere," says Mr Neville Isdell, president of Coke's Northeast Europe/Africa division. "In percentage terms, growth will be spectacular."

Coke's first big move was in eastern Germany, where it dispatched an advance team soon after the Berlin Wall fell and aims to invest more than $450m (£250m). More recently, the company has turned further east, announcing a string of deals and further investments of almost $1bn in local bottling, distribution and marketing.

Pepsi refuses to be impressed by such figures. "I'll believe them when I see them," sniffs Ms Hooper. "Coke sometimes tends to add a couple of zeros to its sums." Nevertheless, Coke's ambitions are exceeding even its resources, prompting it to search out partners wherever it can find them. Hungary and Czechoslovakia have been entrusted to Coca-Cola Amatil (CCA), a 51 per cent-owned Australian affiliate which runs Coke's operations in Austria, while Coke's bottler in Greece is handling Bulgaria and Romania. Coke has also signed deals in the former Soviet Union.

Coke's sales are rising fastest in Hungary, where CCA has two bottling plants. But the biggest short-term target is Poland, where a five-fold increase in production and investments of $150m are planned over three years. Coca-Cola will split the costs with Ringnes, its Norwegian bottler, which is helping run some operations.


Coke on stream: Donald Keough, president of Coca Cola, opening a bottling factory in Gdynia on Sunday, part of a $150m investment over three years to boost production in Poland fivefold

In the past, most east European governments tied the company's sales volumes, like Pepsi's, to its willingness to engage in counter-trade, and allocated production to state-owned bottlers who neither knew nor cared much about the business. Unlike Pepsi, Coke has chosen to sever many traditional business links and start again from scratch.

But finding suitable sites for new plants in countries where property rights are often hazy and there is no real property market has not been easy. Nor has acquiring existing businesses been exactly trouble-free.

In the Czech republic CCA was allowed to buy a state-owned bottler only after agreeing to donate funds to the Prague zoo and to a research institute. What it got was an over-engineered plant with a defective water purification system which needed to be completely re-equipped.

Though Coke flies in expatriates to support its fledgling east European businesses, it wants them to become entirely locally managed. All 230 permanent staff at the Gdynia plant are Poles or Polish speakers, and it is run by a former general manager of a local shipping line.

Coca-Cola starts with a big advantage – one of the best-known international brands in eastern Europe. So much so that the company – unlike Pepsi, which is still widely viewed as a local product – sees no need yet for television advertising.

"Putting cold bottles on shelves is the best marketing we can do," says Mr Isdell. "We don't have to ask ourselves if our product will sell, only how do we get it to the consumer?"

That involves more than building modern plants. The biggest challenge is to build up what Coca-Cola calls "the system" – the developed distribution, marketing and service network, its most powerful weapon in the battle for retail customers.

Trained sales and delivery staff in brightly coloured Coca-Cola trucks are already roving the streets of east European cities.

For retailers long accustomed to surly and unreliable state-owned suppliers, the experience is a revelation, says Mr Isdell: "When our people say they'll be back with more stocks next Friday, shopkeepers are amazed." More of a problem is finding reliable customers. Coke says that in it first six months in Poland, retail customer turnover reached 60 per cent, though conditions have since begun to stabilise.

Initially, Coke is pricing its products at only two thirds the level in west Germany. However, as trade barriers with the EC fall, it expects to raise prices to prevent "parallel" imports of cheap east European Coke streaming westwards.

But right now the flow is all the other way, as Coke continues to pour in resources. Mr Isdell is coy about when the investments will show returns. "We take a long-term view," he says. "None the less, we will have profitable operations in each country within three years of start-up."

## Accounting change lifts Carlsberg

By Hilary Barnes in Copenhagen

CARLSBERG, the brewery group, reported a 7 per cent increase in pre-tax profits, from DKr623m to DKr670m ($108.4m), in the half year to March 31. However, the interim statement said all but DKr10m of the increase came from changes in accounting principles.

Operating profits were ahead by 27 per cent, from DKr385m to DKr491. Factors in the improvement were continued rationalisation of Danish brewing operations and the disposal last summer of the loss-making Spanish brewery, Union Cervecera.

Net interest income fell from DKr231m to DKr189m, taking profits before extraordinary items from DKr616m last year to DKr680m.

Sales declined by DKr29m to DKr4.70bn. In the absence of unforeseen events, pre-tax profits for the year are expected to be on a level with last year's DKr1.23bn, said the statement.

Accounting principles were changed to include shares of profits in associated companies. Earlier, only dividends from associated companies were included.

The interim statement said that it is taking longer than expected to obtain approval for the merger of the UK brewing interests of Allied-Lyons and Carlsberg, which was proposed last October.

The UK Mergers and Monopolies Commission is due to hand its recommendations to the Department of Trade and Industry on June 12, said Mr Michael Iuul, a member of the board of management yesterday.

## Viag sees higher profits and hopes to lift payout

By Christopher Parkes in Bonn

VIAG, the acquisitive German conglomerate, yesterday forecast a further rise in profits this year and its ninth consecutive dividend increase.

Meanwhile, it is to continue its vigorous expansion and plans to spend around DM2bn ($1.2bn) a year on investment in growth, according to an interim report published yesterday.

Viag's latest acquisitions in packaging and motor components helped it to record a 26 per cent rise to DM6.15bn in group sales in the first quarter and a "modest" but unspecified rise in operating profits.

The company confirmed net earnings for 1991 of DM405m and proposed a DM9 dividend, compared with profits of DM336m and a payout of DM8.50 the previous year.

Improved results in the current year would allow this dividend policy to continue, it added.

Viag draws around 50 per cent of its earnings from its stakes in German electricity and gas companies, and another 40 per cent from aluminium and packaging. The company said it was currently negotiating to buy a majority stake in Debrunner-Koenig, the biggest steel trader in Switzerland.

Last month it concluded a deal to take a majority in another steel concern, Metalpo of Italy.

Mr Alfred Pfeiffer, chairman, told shareholders in Quebec, Canada, yesterday that the group's expansion strategy, based on taking 51 per cent holdings in compatible groups, had so far proved very successful.

It spent DM115m on such moves in the first three months of this year, compared with DM3m in the first quarter of 1991.

Acquisitions last year accounted for around half the total DM4bn investment budget.

Future core business areas highlighted yesterday include packaging, chemicals, motor components and health foods.

Following last year's acquisition of Continental Can Europe, Viag – which already owned Gerresheimer Glas – has become one of Germany's leading packing groups. Group sales have increased four-fold since the government disposed of its 60 per cent stake in 1988.

# Air France and Lufthansa shy from hotel deal

By David Waller in Frankfurt

AIR FRANCE and Lufthansa of Germany have pulled back from plans to merge their hotel operations. The airlines emphasised the merger when they announced plans for closer co-operation in the hotels business at the end of April.

Lufthansa said yesterday some form of merger between Lufthansa's Kempinski hotels and Air France's Meridien hotel chain was still an objective. However, co-operation at this stage would be limited to a marketing agreement whereby the parent airlines market each others' hotel subsidiaries.

Lufthansa said if this worked out it planned to take the second step of combining the shares into a mutual holding company. However, it said there was no timetable for such a merger. If it happened, the two hotel companies would maintain separate legal status.

It was implied in the Lufthansa statement that the German hotel group had worried about preserving its standards in the event of a merger.

"Irrespective of the future structure of the ownership of the joint holding," it said, "no major decisions will be made without the consent of Lufthansa, thus guaranteeing the interests of Kempinski.

"Therefore the name of Kempinski, as well as its standards and quality, will be maintained," it said.

Both airlines yesterday denied the two-stage agreement differed from the draft contract agreed on April. However, it seems likely that merger talks have brought to the surface worries about the integrity of the individual hotel chains under a merged identity.

# BNP hopes to promote talks between insurers

MR RENE Thomas, the chairman of France's state-owned Banque Nationale de Paris, said he would like to promote co-operation between Union des Assurances de Paris and Germany's largest insurer, Allianz, Reuter reports from Paris.

"If UAP so desires, we would like to promote dialogue between these two insurance companies," he said.

Allianz has a 22.3 per cent stake in Germany's Dresdner Bank and the firms have a marketing co-operation accord.

BNP is aiming for a 10 per cent share swap with Dresdner in 1993 and has a cross-stake and a marketing agreement with UAP.

## NEWS IN BRIEF

● FIAT, the Italian carmaker, has confirmed it will close its Chivasso plant in northern Italy from September and will lay off a total of 5,600 workers, Reuter reports from Milan.

Fiat was committed to rehire 3,600 carworkers within three years at other plants. However, the company made no commitment regarding a further 2,000 white collar workers employed at the plant and other locations.

● BANCO Central Hispano is launching a public tender offer for 5.7 per cent of the Spanish insurer Banco Vitalicio de Seguros through its joint venture with the Italian insurance giant Generali Assicurazioni, AP-DJ reports from Madrid.

The insurance venture, Central Hispano-Generali Grupo Asegurador, was formed last year in an agreement between the Spanish bank and the Italian insurer to pool their insurance activities in Spain.

BCH contributed 57.2 per cent of Banco Vitalicio to the venture, while Generali put in the 36.4 per cent of Banco Vitalicio that it owned.

# Recession, competition hit top UK accountants

By Andrew Jack in London

RECESSION and competition sharply reduced fee income growth in most of Britain's largest six accountancy firms, according to figures for the year to April 1992 released yesterday.

Coopers & Lybrand remained the largest UK firm with fee income of £577m ($1.04bn) in the year to April 30, but also registered the only absolute decline, with revenues down by 1.87 per cent.

All the top firms except Arthur Andersen cut professional staff, including partners, by between 7 per cent and 10 per cent, reflecting the widespread redundancies in the past few months.

Income from three of Coopers' divisions – audit, management consultancy and tax – all declined, while insolvency income rose by 16 per cent. But the firm said last year's reported £588m income had been adjusted downwards to £577m, reflecting difficulties in calculation after the merger with Deloitte Haskins & Sells. The name Deloitte was officially dropped yesterday.

Strongest growth came from Arthur Andersen, mainly as a result of a 30 per cent increase from Andersen Consulting.

Touche Ross also grew sharply, with income up by 15.7 per cent.

Revenue growth in the remaining firms – KPMG Peat Marwick, Ernst & Young, and Price Waterhouse – was boosted by insolvency work but struggled to beat inflation.

Mr Ian Brindle, senior partner of Price Waterhouse, said audit work was suffering because of recession, overcapacity and intense competition.

However, none of the firms is willing to provide details of costs or profits distributed to partners, stressing their legal status as partnerships does not require them to do so. They also argue it is very difficult to compare firms, which have different year-ends and sometimes exclude income from regions such as the Channel Islands.

Lex, Page 18

# Swiss business opens its doors to the world

## Ian Rodger looks at rapidly changing attitudes among the country's company directors

SCARCELY an eyebrow was raised in Swiss business circles when Ascom, the telecommunications equipment group, revealed last week that a majority of its capital was held by non-Swiss.

And the group's announcement that it proposed appointing a German and an American to its board of directors drew only muted reaction.

A few years ago, such developments would have provoked shock and dismay in Switzerland's introverted business community. With a mercantile culture uncannily similar to Japan's, Swiss industry thrived for a long time by attacking markets all over the world while keeping most operations at home. Ownership and top management posts remained exclusively in Swiss hands.

In the past few years, however, top Swiss industrialists have recognised that being international now requires more than having sales offices abroad. And this year the pace of change has accelerated sharply.

Among the big companies and banks, cases of exclusively Swiss boards of directors are now the exception rather than the rule. And many companies are actively encouraging foreign ownership of their shares.

Swiss business leaders seem to be making these changes with their eyes open. "Our responsibility is to run an international group called Sandoz, not to stick to our roots," says Mr Rolf W. Schweizer, group vice-president responsible for strategic planning at the big Basle-based pharmaceutical group.

Mr Schweizer says it was even possible that Sandoz would one day move its headquarters out of Switzerland, especially if some Swiss hostility to some types of pharmaceutical research continued.

For now, what is noticeable is that Sandoz and other leading companies are aggressively building up operations abroad while just ticking over or cutting back in Switzerland.

**Among the big companies and banks, cases of exclusively Swiss boards of directors are now the exception rather than the rule. And many companies are actively encouraging foreign ownership of their shares.**

Nestlé, which has hitherto concentrated its group management in Vevey, revealed recently that, in the wake of its takeover of Source Perrier, it would locate the headquarters of its mineral water operations in France. Sandoz is expanding drug production in Ireland and the US. The big Swiss banks have shifted large chunks of their capital market operations out of Switzerland to London and Luxembourg.

The changed focus often shows up through big foreign acquisitions. The engineering group, Brown Boveri, led the way in 1987 with its huge merger with Asea of Sweden. Roche basically moved its biotechnology research effort from Basle to the US when it bought a controlling stake in Genentech two years ago. Schindler, the world's second largest lifts group, bought Westinghouse's lift business in 1989 and is now concentrating on building up its position in the east Asia.

The big Swiss insurance companies, Zurich and Winterthur, have also been active on the foreign acquisition trail.

Ascom made a strategic leap in the world corporate telecoms equipment sector by acquiring Timeplex in the US last year. The group, which a few years ago was largely dependent on the Swiss state posts and telecoms authority for its revenue, is aiming to make 70 per cent of its sales abroad by the end of the century.

The reasons for these moves tend to be the same.

Probably the most important is that the Swiss-skilled manpower pool is no longer sufficient for the needs of the international companies. This is particularly the case in high technology fields and the fast-moving financial specialities, such as the design and trading of derivatives. Yet companies and banks find it increasingly difficult at a time of rising unemployment to get permits for foreigners to live and work in Switzerland.

● In the past, Switzerland's neutrality and its laws providing solid protection of intellectual property were strong incentives to keep research, development and production inside the country, but these characteristics are no longer as unusual or important.

● The cozy Swiss capital markets, which used to be adequate for most companies' needs, are in decline and can no longer provide the large amounts of capital on the internationally competitive terms that big companies demand. Thus, they have had no choice but to open their share registers to foreigners and meet the tough disclosure requirements that international capital markets demand.

As they do so, they risk running afoul of Switzerland's *Lex Friedrich*, the law which obliges companies wanting to buy property to prove that more than half their capital is owned by Swiss nationals. Otherwise, any proposed purchase is subjected to a government review. Last week, Ascom revealed it had gone through that process on a purchase last year.

(Banks will probably maintain limits on foreign shareholdings, as Swiss ownership is crucial to their Swiss status for regulatory purposes.)

The inevitable effect of these trends will be to dilute the "Swissness" of the companies. Whether that is a good thing or not remains to be seen. In the past, the close-knit Swiss business community has usually closed ranks to save a member in distress, as in the case of the rescue organised last year by the big banks for the armaments and engineering group, Oerlikon-Bührle.

As companies become more cosmopolitan, this sort of community spirit is likely to weaken.

The Swiss media already feels betrayed. It roundly criticised Ciba-Geigy, the pharmaceutical group, and CS Holding, the parent company of Crédit Suisse, for holding their annual press conferences last month in London rather than in Switzerland.

And the new chairman of Société Générale de Surveillance, the Geneva-based inspection group, has been attacked for replacing some of the group's Swiss directors with foreigners.

In spite of this grumbling, the centrifugal trends are unlikely to be reversed. They might slow a bit if Switzerland joins the European Economic Area (EEA), the new free trade association between the European Community and the seven countries of the European Free Trade Area (EFTA). EEA membership would require the country to permit free entry of people and capital from other EEA countries, and to exempt EEA nationals from the *Lex Friedrich*.

However, this liberalisation would not come into effect until 1998, and most companies seem to feel they cannot wait that long.

# DG Bank to restructure overseas operations

By David Waller

DEUTSCHE Genossenschaftsbank, the central bank for Germany's co-operative banks, is restructuring its overseas operations.

After rationalising its domestic activities, the financially-stretched bank has decided to close DG Finance in Paris, DG Investment Bank in London and New York, and a securities interest in Singapore.

Buyers will be sought for two other operations, one in London and another in Amsterdam. In future, securities business will be managed from the bank's Frankfurt headquarters.

Together with other rationalisation in commercial banking, these closures are likely to lead to the loss of around 180 jobs out of the 780 currently filled in 14 overseas centres. This will contribute to the total 800 job cuts the bank wants to make within the next five years.

To build up its commercial banking operations overseas, the bank intends to open representative offices in Madrid, Milan and Paris. It also plans to intensify its business in eastern Europe and Turkey with its existing joint venture partners in the region; representative offices are likely to be opened in Warsaw, Prague and Budapest.

The person behind moves to tighten the overseas network is Mr Bernd Thiemann, chief executive since early 1991, who outlined his plans in October.

Under his predecessor, the bank became involved in a complicated dispute over bond and sale agreements with French banks, leading to heavy write-downs. In October DG Bank announced a DM1.4bn cash injection.

# Hoesch approves Krupp merger

THE SUPERVISORY board of Hoesch, the German steelmaker, has formally approved its merger with steel and engineering group Fried. Krupp, AP-DJ reports from Dortmund.

Krupp last year acquired a controlling stake of more than 50 per cent of Hoesch.

A meeting for both companies will be held on July 27 to approve terms of the share swap to complete the merger.

# CSR in the red after A$558m write-down

**By Kevin Brown in Sydney**

CSR, the Australian sugar and building products group, yesterday reported a net loss of A$385m (US$291.6m) for the year to the end of March, after taking account of a A$558m write-down of asset values.

Net profit before taking abnormal items into account fell by 46 per cent to A$175m.

The loss was in line with expectations following earlier profit warnings and the publication in April of a ruling by the Australian Securities Commission (ASC) on the accounting treatment of the write-down.

CSR announced earlier this year it had written down the value of plant, equipment, goodwill and trademarks by A$558m in order to comply with accounting standards requiring assets to be accounted at recoverable values.

The directors reduced the final dividend to 10 cents, fully franked, from 16 cents last year. The total dividend will be 20 cents, fully franked, compared with 32 cents last year.

Mr Ian Burgess, managing director, said conditions in CSR's main markets had deteriorated for the second successive year.

Sugar prices fell 20 per cent, and construction activity fell 10 per cent in Australia and 12 per cent in the group's US markets.

Mr Burgess said economic recovery in the US and Australia was patchy. There was little evidence that real strength would return before 1993.

However, the group's prospects remained strong because of its low gearing and conservatively valued assets. The group had intended to treat the asset-value write-down as an extraordinary loss. This would have avoided the need to reduce 1991-92 net profits, which it had earlier forecast would fall to less than A$200m.

However, the ASC said the write-down should be treated as an abnormal loss, which required CSR to deduct the amount from trading profits.

CSR was given court approval recently to transfer A$558m from its share premium reserve to the profit and loss account to offset the impact of the write-down on retained profits.

● Bruce Jacques in Sydney writes: The Australian grocery group Davids Holdings has launched a $A120m takeover offer for Queensland-based QIW Retailers.

If successful, the bid would increase Davids' domination of the eastern states grocery business, lifting its national market share from around 15 to almost 18 per cent.

Davids has annual revenues of about A$3.3m.

QIW is the largest grocery wholesaler in Queensland, with a 15 per cent share of that market.

Davids is offering A$6.75 cash a share, and intends to sell its holding down to 55 per cent and keep QIW listed, but the two companies' operations would be merged.

Davids directors said the Trade Practices Commission had advised it would not oppose the QIW bid.

The offer represents a change of tack for Davids, which was until yesterday concentrating its expansion in Western Australia and South Australia.

# Taxing times for multinationals in Argentina

**In 1983, companies such as Shell, Firestone and BAT Industries entered the South American's government-sanctioned secondary market in tax credits. But within five years, their experience became a tale of fraud, corruption and taxation – Argentine style. John Barham in Buenos Aires reports**

TEN years ago, a group of multinational companies operating in Argentina embarked on a what then seemed a legitimate, if complicated, tax-reduction scheme. But far from saving the companies a few million dollars a year, they say the scheme became a nightmare of fraud, corruption and arbitrary government that cost them about $100m.

An embittered executive now warns companies to "think five times" before investing in Argentina. He says: "You must be very wary and mistrustful. Everything carries risk."

That jars with Argentina's new free market image as a country where the rules of the business game are fair and predictable.

The story begins in 1983, when companies such as Shell, Pirelli, BAT Industries, Perkins Engines, Texas Instruments and Firestone entered a government-sanctioned secondary market in tax credits.

This involved Argentine companies that were entitled to government tax rebates on one side and companies that owed the government taxes on the other.

The Argentine companies won rebates on their investments in development zones in deprived regions and on sales that originated in those regions.

Rather than wait for payment from the DGI, the bureaucratic and inefficient tax department, they would "sell" their tax credits at a discount. The "buyer" – invariably a multinational – could then reduce its tax bill by "paying" part of its tax bill with tax credits to the DGI at their full face value.

One of the biggest players in the tax credit market was Koner-Salgado, an Argentine conglomerate. It sold over $100m-worth of credits over a six-year period.

But, in 1988, the DGI suddenly declared Koner-Salgado's credits worthless after investigators said the company faked investments to generate tax credits.

The DGI then ordered Koner-Salgado's clients to pay back all the taxes they had "paid" with its allegedly fraudulent credits.

But the multinationals point to the fact that the DGI investigation took place in 1985, three years earlier. They say DGI officials suppressed the report, failed to warn buyers of Koner-Salgado credits, and continued accepting the credits until the report was leaked in 1988.

At first the companies refused to pay up, arguing they were being made to pay for a crime committed by others. They alleged that the DGI had acted in bad faith.

The case reached the Supreme Court over a year ago. But it said that before it could rule on the case, the plaintiffs first had to comply with the DGI's tax demand of hundreds of millions of dollars. They could then try to recover the money by suing the DGI.

A tax lawyer explained that the DGI's apparently arbitrary claim was based on legislation under which it could paradoxically rule a company was evading taxes even if it acted legally. This is because transactions are not assessed for tax on their legal "appearance" but on their underlying "real" purpose.

The lawyer says: "The government is never wrong. It is like Big Brother. Argentina is a perverse country where something may be permitted one day and the next day it has become a crime."

Naturally, the government's view is rather different. The present head of the DGI is Mr Carlos Tacchi, a tax lawyer before entering government last year. He holds up the Koner-Salgado affair as an example of his offensive against tax evasion, in which he does not discriminate between evaders, be they large or small.

Although Mr Tacchi refused to be interviewed for this article, he has claimed companies knew the credits were false all along. He says that, like all other tax specialists – including the multinationals' advisers – he was offered commissions to push the deep-discounted credits.

Mr Tacchi, who is as honest as he is ferociously efficient at collecting taxes, implies that at best, companies were robbed by corrupt employees and advisers. At worst, they actively dodged taxes.

Rather than begin long, expensive litigation in a judicial system not known for its independence or impartiality, the companies decided to negotiate.

In the end, all but two accepted a compromise, their liability was reduced, and they were given five years to pay.

But Firestone and BAT Industries' affiliate Nobleza-Piccardo decided to fight. Their resistance is understandable: Firestone was originally asked for $180m and Nobleza $130m.

Lobbying by the companies and the UK and US embassies achieved little. Last October, a court froze Firestone's assets as a first step to its liquidation. Firestone swiftly capitulated, followed by Nobleza.

Mr Tacchi offered them the same deal as the other multinationals. Nobleza, which had bought $31m-worth of credits, was charged an extra $6.6m. It has begun paying the full $37.6m in 60 monthly instalments, with the first nine due all at once. That is a heavy blow for a company with an operating loss of $11.2m in the first nine months of 1991.

None of the companies considers payment as a recognition of guilt. Some are demanding arbitration by an independent tribunal. But even if they do win, the virtually bankrupt government will pay not with cash but with 16-year bonds. Already, a secondary bond market is beginning to emerge.

Suspects at the DGI and Koner Salgado have yet to go on trial. But the wheels of Argentina's justice have always ground slowly for the accused.

Massive financial fraud that cost the central bank $15.8bn during the 1980s has gone unpunished because so few of the suspects were ever brought to trial.

# Outboard Marine and Volvo in venture

VOLVO PENTA and Outboard Marine of the US are to form a new company to produce sterndrive and inboard marine power systems, AP-DJ reports from New York.

The companies said the new company would be owned 60 per cent by Volvo Penta, a unit of Volvo of Sweden, and 40 per cent by Outboard Marine, the world's largest producer of outboard engines.

The venture will develop and manufacture a new generation of advanced marine propulsion systems, and provide parts and after-market service for these and existing products.

These products will be used in boats manufactured by Outboard Marine companies and will be marketed by Volvo Penta to independent boat manufacturers worldwide under its brand name.

The new company will acquire the existing Outboard Marine production facility in Lexington, Tennessee.

The companies said the agreement, subject to the approval of the boards of both parties and various governmental authorities, was expected to be finalised by the end of this month.

# Lawson Mardon 9% ahead in first quarter

**By Robert Gibbens in Montreal**

LAWSON MARDON, the international packaging group now controlled by Italian investment bankers Cragnotti Financial, posted a 9 per cent gain in profits for the first quarter despite the long North American recession.

Earnings were C$6.1m, or 21 cents a share, against C$5.6m, or 20 cents, a year earlier on sales of C$309m (US$257.5m), down 3 per cent.

Cragnotti is positioning Lawson Mardon as the centre of a plan to create a global packaging group with operations all over Europe and North America.


## FINANCIAL TIMES

Published in

LONDON ● PARIS ● FRANKFURT ● NEW YORK ● TOKYO

Head Office: The Financial Times Ltd, Number One, Southwark Bridge, London SE1 9HL. Telex: (Editorial) 922186. Telex. (Advertising) 885033. Telephone: 071-873 3000. Fax: (Advertising) 071-873 3063.

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## LEGAL NOTICES

Company Number 2203349
Registered in England
**C B REALISATIONS LIMITED**
**(IN RECEIVERSHIP)**
*Formerly Trading as Carmichael Bulk Limited*
43 Temple Row
Birmingham B2 5JT

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The West Bromwich Moat House, Birmingham Road, West Bromwich B70 6RS on Thursday 18 June 1992 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on Wednesday 17 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at 43 Temple Row, Birmingham B2 5JT; photocopies (including faxed copies) are not acceptable.

Dated 27 May 1992

Signed Ian N Carruthers and John F Powell, Joint Administrative Receivers.

A copy of the report will be sent to creditors separately following the meeting.

Registered in England
Company Number 2209485
**C U Realisations Limited In Receivership**
Formerly Trading as Carmichael Utilities Limited, 43 Temple Row, Birmingham B2 5JT

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Signed: Ian N Carruthers and John F Powell, Joint Administrative Receivers

Dated: 27 May 1992

A copy of the report will be sent to creditors separately following the meeting.

Notice of Creditors' Meeting under Section 48(2) of the Insolvency Act 1986
**ROCKWELL PACKAGING MACHINES LIMITED**
Registered no: 605992
AND
**ROCKWELL PAKFAST LIMITED**
Registered no: 1118842
Both registered in England and Wales.

Notice is hereby given that a meeting of the creditors of the above named companies will be held under the provision of 548 of the Insolvency Act 1986 at Harman House, 1 George Street, Uxbridge, UB8 1QQ on 12 June 1992 at 10.30 am for the purposes mentioned in S48(2) and S49 of that Act. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Written statements of claim must be lodged with the joint administrative receivers before 12 noon on the business day before the meeting at the offices of Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge, CB3 0BL.

Signed R M Addy, Joint Administrative Receiver

Dated 27 May 1992

Company Number 2026098 Registered in England
**PERREN FIRE PROTECTION LIMITED**
**(IN RECEIVERSHIP)**
*43 Temple Row, Birmingham B2 5JT*

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(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at 43 Temple Row, Birmingham B2 5JT; photocopies (including faxed copies) are not acceptable.

Signed Ian N Carruthers and John F Powell, Joint Administrative Receivers.

Dated 27 May 1992

A copy of the report will be sent to creditors separately following the meeting.

Registered in England
Company Number 2201717
**C F Realisations Limited In Receivership**
Formerly Trading as Carmichael Fire Limited, 43 Temple Row, Birmingham B2 5JT

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The West Bromwich Moat House, Birmingham Road, West Bromwich B70 6RS on Thursday 18 June 1992 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on Wednesday 17 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at 43 Temple Row, Birmingham B2 5JT; photocopies (including faxed copies) are not acceptable.

Signed: Ian N Carruthers and John F Powell, Joint Administrative Receivers

Dated: 27 May 1992

A copy of the report will be sent to creditors separately following the meeting.

COMPANY NO: 236348.
REGISTERED IN ENGLAND
**C A A Realisations Limited**
**In Receivership**
**Formerly Trading as Carmichael Aerial Access Limited 43 Temple Row Birmingham B2 5JT.**

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at: The West Bromwich Moat House, Birmingham Road, West Bromwich B70 6RS on Thursday 18 June 1992 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Others creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on Wednesday 17 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at 43 Temple Row, Birmingham B2 5JT; photocopies (including faxed copies) are not acceptable.

Dated this 27 day of May 1992.

Signed: Ian N Carruthers and John F Powell, Joint Administrative Receivers,

A copy of the report will be sent to creditors separately following the meeting.

Company Number 2201731 Registered in England
**CSS REALISATIONS LIMITED**
**(IN RECEIVERSHIP)**
Formerly Trading as Carmichael Spares and Services Limited, 43 Temple Row, Birmingham B2 5JT

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The West Bromwich Moat House, Birmingham Road, West Bromwich B70 6RS on Thursday 18 June 1992 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on Wednesday 17 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at 43 Temple Row, Birmingham B2 5JT; photocopies (including faxed copies) are not acceptable.

Signed Ian N Carruthers and John F Powell, Joint Administrative Receivers.

Dated 27 May 1992

A copy of the report will be sent to creditors separately following the meeting.

COMPANY NO: 1293885
REGISTERED IN ENGLAND
**Carmichael Holdings Limited**
**In Receivership**
*43 Temple Row Birmingham B2 5JT.*

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at: The West Bromwich Moat House, Birmingham Road, West Bromwich B70 6RS on Thursday 18 June 1992 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on Wednesday 17 June 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at 43 Temple Row, Birmingham B2 5JT; photocopies (including faxed copies) are not acceptable.

Dated this 27 day of May 1992.

Signed: Ian N Carruthers and John F Powell, Joint Administrative Receivers,

A copy of the report will be sent to creditors separately following the meeting.



## ART GALLERIES

# Fujitsu to swallow rest of Poqet

By Louise Kehoe in San Francisco

POQET Computer, a pioneer in the market for pocket-sized personal computers, is to become a wholly-owned subsidiary of Fujitsu and the vehicle for the Japanese computer giant's entry into the US and European personal computer markets.

Fujitsu, which already holds more than 80 per cent of Poqet's equity as a result of a series of investments, is in the process of acquiring the remaining portion which is owned by current and former Poqet executives.

The company was yesterday renamed Fujitsu Personal Systems.

Fujitsu's investments in Poqet stem from a long-standing business relationship with Mr Robb Wilmot, chairman of Poqet and the former chairman of ICL, the UK computer company now owned by Fujitsu.

ICL is also expected to play a role in Fujitsu's expansion of European personal computer sales.

The Poqet acquisition represents a strategic move by Fujitsu, said Mr Tadayasu Sugita, former general manager of Fujitsu's personal computer division in Japan, who became president of Poqet last year.

The trend in reducing the size of computer technology, in which networks of personal computers are increasingly replacing larger minicomputers and mainframes, means it is increasingly important for Fujitsu to have a world-wide presence in the personal computer market, Mr Sugita explained.

Although Fujitsu's Personal Systems Division in Japan recorded sales last year of $2bn (that includes word processors and some consumer products), the company has yet to make any significant inroads into the international market.

The company will use Poqet's established US and European distribution and marketing operations as the basis for its market expansion. "That is the reason for Fujitsu's decision," he said.

Rob Wilmot: long-standing business relationship

Initially, Fujitsu will focus on the portable personal computer market with the tiny "Poqet", a miniature personal computer, and Poqet's recently announced pen-computer will attempt to penetrate the emerging market for carry-along computers.

Ultimately, however, Fujitsu will address broader segments of the portable personal computer market, "after we have achieved a foothold and good brand name recognition".

● International Business Machines is to acquire a minority stake in Parallan Computer, a California computer company that specialises in network servers.

The IBM investment is part of an agreement between the companies to work together on development of servers and networking software.

IBM will obtain worldwide rights to market products developed by Parallan and future products developed by the alliance.

Mr Paul C. Mugge, vice-president of development, IBM Entry Systems Technology, said: "We expect the IBM/Parallan alliance to provide industry leadership in network servers this year and in years to come."

# Warner declines to back Sony Mini Disc

By Patrick Harverson in New York

WARNER Music Group, a division of US entertainment giant Time Warner, has declined to commit its roster of artists to the new Mini Disc audio technology format which is being developed by Sony of Japan.

Mini Disc is a portable recording and playback system which Sony hopes will become the main successor to the analog cassette tape.

The decision by Warner not to support the Mini Disc, however, deals a blow to those hopes. In order for Mini Disc players to succeed, Sony must offer a wide range of music titles to potential buyers when the product first enters the market later this year.

So far only two big labels, EMI Music and Sony's own music division, have signed up with Mini Disc.

Sony had hoped that Warner, with its powerful roster of stars, including Madonna and Rod Stewart, would prove an important recruit. Only last week a senior executive at Sony predicted that Warner would announce its commitment to Mini Disc within a few days.

Warner, however, is reluctant to commit itself to the new digital technology – which means either Mini Disc or its main rival, digital compact cassettes being developed by Dutch group Philips – because of concern that new formats may crimp the growth of compact discs (CDs), and to a lesser extent, of cassette tapes.

In a statement, Warner said that it was still addressing the relative merits of the Mini Disc and of the digital compact cassette.

Mr Robert Morgado, chairman of Warner Music Group, said: "Compact Disc is the premier carrier for the music industry and we are asking manufacturers to assure us that their new technologies do not adversely impact CD's continued growth."

Philip's digital compact cassette format appears to have a head start on Sony's Mini Disc. It has won artist commitments from the music industry's six biggest labels time for the product's September launch.

# Digital to lose 3,700 employees

By Louise Kehoe

DIGITAL Equipment said that 3,700 employees in the US, including seven of the company's vice-presidents, would leave the company under an early retirement programme that began in March.

Digital has been trying to cut its payroll for two years in the face of losses and declining sales. It had about 119,500 employees when the retirement scheme was announced in early March, against a peak of 126,000 at the end of 1989.

The response to the early retirement programme has been stronger than expected. Digital offered retirement incentives to 7,200 US employees over the age of 50, expecting about one-third to accept. Further job cuts are expected.

For the first three quarters of fiscal 1992, Digital reported net losses of $403.9m, including charges, on sales of $10bn. It expects an additional charge, perhaps as high as $1bn, in the current fourth quarter.

Digital said seven corporate officers would take early retirement. They include Mr George Chamberlain, vice-president, marketing finance; Mr Henry Crouse, vice-president, strategic relations, and former president of the Open Software Foundation; Mr James Cudmore, vice-president, operations staff; Mr William Heffner, vice-president, image, voice and video products; Mr Robert Hughes, vice-president, US sales; Mr Albert Mullin, Jr., vice-president, corporate relations; and Mr Richard Yen, vice-president, Far East manufacturing.

# Upjohn places freeze on wages, hirings

By Martin Dickson in New York

UPJOHN, the US pharmaceuticals group, is implementing a temporary freeze on hirings and salary increases from today as it completes a lengthy strategic review of the business.

A company spokesman said the policy review, designed to improve the company's operating performance and margins, might be completed by the end of the month. Upjohn's shares have been subject to periodic merger rumours, but an Upjohn spokesman said yesterday that its "strategic vision" included the belief that it was "in the best interests of all stakeholders to remain an independent pharmaceuticals company."

Analysts noted that patents on three of Upjohn's leading drugs – including Halcion, the sleeping pill recently banned in the UK – were due to expire in the next two years, suggesting Upjohn would need to clamp down on costs.

# Corona first-quarter earnings depressed

By Robert Gibbens in Montreal

LOWER gold output and lower prices, combined with higher taxes, weakened first-quarter results of Canada's International Corona which is planning a merger with Homestake Mining, the US gold producer.

Corona's earnings were C$1.4m (US$1.1m), or 2 cents a share, down from C$6m, or 6 cents a year earlier, on revenues of C$64m, against C$75m. Production was 169,000 oz, a fall of 10,000 oz because of the closure of two small Canadian operations. Average cash cost was US$210 per oz, against US$202, while the average price received was US$370, compared with US$385.

SEC approval for the merger has been delayed, reportedly because of accounting and valuation differences between Canada and the US.

The two companies would have annual gold production of about 1.4m oz and annual revenues of more than US$500m. Homestake's experience in autoclave production would be applied to Corona's Canadian operations. Homestake would gain control of the Eskay Creek gold property in northwestern British Columbia and Corona's interests in the Williams and David Bell gold mines in northern Ontario.

# Rivals buy Steinberg food chain for C$275m

By Robert Gibbens in Montreal

THE 75-year-old Steinberg food chain, a former North American leader in automated warehousing and manufacture, is about to disappear from eastern Canada.

Steinberg, opened in Montreal by Ida Steinberg, a Polish immigrant, in 1917, is being taken over by its rivals Provigo and Metro-Richelieu, for C$275m (US$231m). This amount is barely enough to repay bank debt and suppliers.

Steinberg was once the leader in Quebec. It expanded into Ontario and the Maritimes and diversified into general merchandising.

Then Ida's eldest son, Sam, main architect of the company's phenomenal post-war growth, died. Soon afterwards, less purposeful management allowed competitors to gain ground and the 1982-1983 recession dealt Steinberg a severe blow.

The Steinberg family sold control for about C$1bn in 1989, the real estate going to the Caisse de Depot, the Quebec Pension Plan's investment arm, for about C$800m.

The supermarkets and warehouses went to the Montreal entrepreneur Mr Michel Gaucher.

However, the latest recession, price wars, and Quebec's heavy unemployment has finally caught up with Mr Gaucher.

He has sold most of the remaining 115 supermarkets to the two competitors, with the Caisse's blessing. The Steinberg name will soon be gone.

Loblaw of Toronto, Canada's biggest food distributor, made an unsuccessful bid for Steinberg in 1989 and tried again this year.

Many Steinberg employees, fearing further rationalisation, preferred Loblaw, but its bid was refused.



The Interpublic Group of Companies, Inc.

NOTICE OF CONVERSION RATE ADJUSTMENT

To Holders of
3¾% Convertible Subordinated Debentures
Due April 1, 2002 Issued by
The Interpublic Group of Companies, Inc.

The Interpublic Group of Companies, Inc. (the "Company"), pursuant to Sections 1305 and 1306 of the Indenture (the "Indenture"), dated April 1, 1992, between the Company and Morgan Guaranty Trust Company of New York, as Trustee, with respect to the Company's 3¾% Convertible Subordinated Debentures due April 1, 2002 (the "Debentures"), hereby notifies you of the following:

1. The Company's Board of Directors has declared a two-for-one subdivision of the Company's outstanding shares of common stock, par value $.10 per share (the "Common Stock"), to be accomplished through the payment of a stock dividend (the "Stock Split"). Accordingly, one new share of Common Stock will be distributed with respect to each outstanding share of Common Stock to stockholders of record on June 1, 1992.

2. The Conversion Rate, as adjusted pursuant to Section 1304 of the Indenture to take account of the Stock Split, is 22.238 shares of Common Stock for each U.S.$1,000 principal amount at Stated Maturity of Debentures.

Capitalized terms used herein, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Indenture.

THE INTERPUBLIC GROUP OF COMPANIES, INC.

Dated: May 22, 1992

# Hong Kong groups lift their eyes across the border

## Developers are making the most of pro-China fervour by building land banks, **reports Simon Davies**

AFTER years of playing down China connections to a nervous investing public, Hong Kong *listed companies are suddenly* announcing a mass of property developments across the border *to cash in on current pro-*China fervour.

With the evolution of Shen*zhen from* sleepy Chinese town to chaotic metropolis in the past 12 years, the city's property market has already begun to resemble neighbouring Hong Kong's. Last year, it was even more profitable, with Shenzhen residential property prices estimated to have risen by 80 per cent.

*The potential* for further development throughout the rest of Guangdong Province – which is where Shenzhen is situated – has not gone unnoticed, and this year countless listed companies have announced agreements on plots of land.

These are mostly companies with little expertise in property development, and it sounds like a recipe for disaster.

*Even in the speculative* environment of Hong Kong, property developers are saying the market has become "too hot". There is almost no limit to the supply of new land over the border.

More than 100m sq ft of land has been snapped up by Hong Kong parties already. That is substantially greater than the colony's total land mass.

But with an increasingly affluent population of 60m in the province of Guangdong, there is undoubted potential. It *is just a question of timing.*

The leading Hong Kong participants in China property so far are Sun Hung Kai Properties, New World Development, Henderson Land, Sino Land and Tian An.

Of these, only Tian An can truly claim to be a China spe*cialist, with all its* earnings coming from Chinese property. Its patchy earnings record in its five years as a China property stock exemplifies the risks inherent in the business. But its 1991 price-earnings ratio of more than 100 indicates the level of expectations.

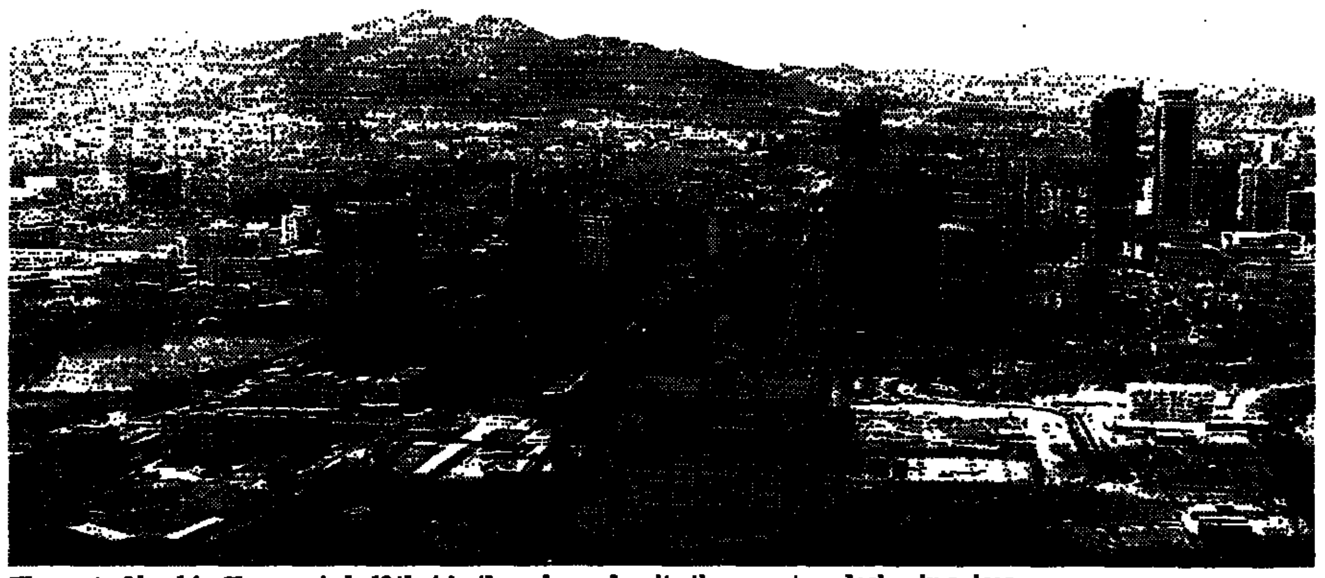
The other sizeable developers appear happy to limit their exposure, and China land banks remain insignificant in the context of their overall asset values.

Sino Land has a China land *bank of 2.5m sq ft and is plan*ning to increase this to 10m sq ft by the end of the year, but its financial exposure will remain minimal.

Mr Robert Ng, managing director of Sino, said the potential for China was enormous, but he admitted that in many *areas the ratio of cost to pur*chasing power was far less favourable than Hong Kong. "You may get small hiccups here and there, but in the long run it will be very positive," he said.

New World Development has been more ambitious. It is estimated the company's China land bank will exceed 50m sq ft by the end of 1992. Analysts do not expect any meaningful contribution from China before 1995.

The leading property devel*opers all have sufficient Hong* Kong land banks to carry them *through to 1997.* Given the limited supply of land in the colony, it is a logical step for them to build up cheap entitlements in China for the long term; they can then wait for the market to mature.



The cost of land in Shenzen is half that in the colony, despite the recent explosion in prices

Ashley Ashwood

For the smaller companies with narrower *earnings schedules*, the urgency for completion is greater and they are forced to brave the fledgling market. These manufacturing companies are often investing as much as their entire market capitalisation in China property, so the stakes are high. And there is significant competition.

At present, Hong Kong is the source of most demand. New *properties on the Hong Kong* side of the border cannot be bought for less than $HK2,000 (US$258) per sq ft. In Shenzhen, even after the recent price explosion, prices are half that.

Analysts estimate that at least 60 per cent of units available for sale in Guangdong Province *last year were sold to* overseas Chinese buying holiday homes and flats. Special *licences are necessary for over*seas buyers, but these are easily circumvented.

It is impossible to tell what will happen when this pent-up demand is satisfied since at present the mainland Chinese have very limited access to mortgage financing.

Developers have to face up to a *chaotic system for obtaining* planning permission. Henderson Land claims that only 40 *per cent of the projects it has* negotiated are likely to be completed and successful projects progress very slowly.

"Developers say that for every official stamp there is a *bribe of as much as* HK$200,000. And you need around 20 stamps," said an *analyst at Crédit Lyonnais* Securities.

Most Hong Kong companies link with a joint venture partner which provides the land and pushes through the paperwork, while the foreigner pays for the construction. Often the China partner fails to obtain good title for the land.

Contacts are crucial, which is why manufacturing companies are in the forefront of the property boom. The *industrial*ists have already built up connections in setting up their factories in the Pearl River delta.

The shortage of regulations in China has one large advantage: a Hong Kong developer can pre-sell units before it starts work, thereby raising the bulk of the funds required to complete the project. But this obviously depends on the continuing strength of the market.

"The key is timing, location and linking up with the right partner," *said a developer*. The crunch will be felt three years from now, when the proposed developments finally become reality.

"I think it is going to take a lot more projects for the bubble to finally burst," said Mr Peter Churchouse, vice-president at Salomon Brothers. *There are few statistics to* show how great the supply will be, but it seems only a matter *of time before that point is* reached.

# ABN Amro in Hoare Govett deal

**By Ronald van de Krol in Amsterdam**

ABN AMRO, the largest bank in the Netherlands, yesterday completed its acquisition of the European operations of Hoare Govett, the UK stockbroker, from Security Pacific of the US.

Hoare Govett also said yesterday that it is to eliminate *another 35 jobs, reducing its* workforce to 345. The latest job losses, which are roughly divided between front and back office staff, follow the cutting of 60 jobs in January.

Terms of the deal, which was first announced in February, were not disclosed. The transaction does not include Hoare Govett's Asian operations.

The UK stockbroker was put up for sale last year after *Security Pacific merged with* Bank of America to form BankAmerica Corp.

ABN Amro said Hoare Govett would enable it to penetrate the large UK market for corporate and institutional clients, an area where the Dutch bank was under-represented.

Mr Peter Meinertzhagen, chairman of Hoare Govett, said: "The acquisition gives the company immediate access to Europe and ABN Amro's extensive capital resources."

# New risk chief at Chicago bank

CONTINENTAL Bank has named Mr Kenneth Cunningham to the newly-created position of managing director of financial risk management and trading products, Reuter reports from Chicago.

He will direct Continental's financial risk management activities as well as its trading in interest rate products and related instruments in Chicago, London and Tokyo.

# UBS calls in Mountleigh bond after payment missed

UNION Bank of Switzerland has called in the Mountleigh Finance 5¼ per cent SFr150m 1988-1995 bond, Reuter reports from Zurich.

UBS said it had acted as neither the issuer nor the guarantor – collapsed UK property company Mountleigh Group – had made an interest payment *due on the bonds on May 19.*

Last month, UBS had announced that Mountleigh had a 10-day grace period to meet the payment, and this too had now elapsed. Mountleigh collapsed when banks owed some £400m withdrew support and put in KPMG Peat Marwick as receivers.

*Last week, Geneva-based* Warburg Soditic also declared three Mountleigh Swiss franc bonds, for which it acted as lead-manager, as due and payable.

# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 1, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 54.4432 | 33.816 | 42.7341 |
| Albania | (Lek) | 91.575 | 50.2331 | 31.201 | 39.4294 |
| Algeria | (Dinar) | 39.9816 | 21.9317 | 13.6223 | 17.2148 |
| Andorra | (Fr Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| | (Sp Peseta) | 182.70 | 100.219 | 62.2487 | 78.6652 |
| Angola | (Kwanza) | 995.3965 | 546.021 | 339.147 | 428.588 |
| Antigua | (E Carr $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| Argentina | (Peso) | 1.8149 | 0.9955 | 0.6183 | 0.7814 |
| Aruba | (Florin) | 3.2784 | 1.7983 | 1.117 | 1.4115 |
| Australia | (Aus $) | 2.4145 | 1.3244 | 0.8226 | 1.0396 |
| Austria | (Schilling) | 20.635 | 11.3192 | 7.0306 | 8.8848 |
| Azores | (Port Escudo) | 242.70 | 133.132 | 82.6916 | 104.499 |
| Bahamas | (Bahama $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Bahrain | (Dinar) | 0.6928 | 0.38 | 0.236 | 0.2982 |
| Balearic Is | (Sp Peseta) | 182.70 | 100.219 | 62.2487 | 78.6652 |
| Bangladesh | (Taka) | 65.00 | 35.6555 | 22.1465 | 27.987 |
| Barbados | (Barb $) | 3.6837 | 2.0206 | 1.255 | 1.586 |
| Belgium | (Belg Fr) | 60.45 | 33.1596 | 20.5962 | 26.0279 |
| Belize | (B $) | 3.663 | 2.0093 | 1.248 | 1.5771 |
| Benin | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Bermuda | (Bermudian $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Bhutan | (Ngultrum) | 52.00 | 28.5244 | 17.7172 | 22.3896 |
| Bolivia | (Boliviano) | 7.0421 | 3.8629 | 2.3993 | 3.0321 |
| Botswana | (Pula) | 3.88 | 2.1283 | 1.3219 | 1.6706 |
| Brazil | (Cruzeiro) | 5215.28 | 2860.82 | 1776.93 | 2245.55 |
| Brunei | (Brunei $) | 2.9745 | 1.6316 | 1.0134 | 1.2807 |
| Bulgaria | (Lev) | 32.24 | 17.6851 | 10.9846 | 13.8815 |
| Burkina Faso | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Burma | (Kyat) | 10.9542 | 6.0088 | 3.7322 | 4.7165 |
| Burundi | (Burundi Fr) | 374.50 | 205.431 | 127.598 | 161.249 |
| Cambodia | (Riel) | 1556.77 | 853.961 | 530.416 | 670.299 |
| Cameroon | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Canada | (Canadian $) | 2.1955 | 1.2043 | 0.748 | 0.9453 |
| Canary Is | (Sp Peseta) | 182.70 | 100.219 | 62.2487 | 78.6652 |
| Cp. Verde | (CV Escudo) | 130.485 | 71.577 | 44.4582 | 56.1829 |
| Cayman Is | (CI $) | 1.5201 | 0.8338 | 0.5179 | 0.6545 |
| Cent. Afr. Rep | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Chad | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Chile | (Chilean Peso) | 636.63 | 349.221 | 216.91 | 274.114 |
| China | (Renminbi Yuan) | 10.0646 | 5.5208 | 3.4291 | 4.3335 |
| Colombia | (Col Peso) | 1139.94 | 625.31 | 388.395 | 490.825 |
| CIS | (Rouble) | 1.0396o | 0.5702 | 0.3542 | 0.4476 |
| | | 154.70m | 84.8601 | 52.7086 | 66.6092 |
| Comoros | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Congo (Brazz) | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Costa Rica | (Colon) | 237.91 | 130.505 | 81.0596 | 102.437 |
| Côte d'Ivoire | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Cuba | (Cuban Peso) | 1.3872 | 0.7609 | 0.4726 | 0.5972 |
| Cyprus | (Cyprus £) | 0.8339 | 0.4574 | 0.2841 | 0.359 |
| Czechoslovakia | (Koruna) | 52.47c | 28.7822 | 17.8773 | 22.592 |
| | | 50.64t | 27.7783 | 17.2538 | 21.804 |
| Denmark | (Danish Kroner) | 11.2925 | 6.1944 | 3.8475 | 4.8622 |
| Djibouti Rep | (Djib Fr) | 322.00 | 176.632 | 109.71 | 138.644 |
| Dominica | (E Carrib $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| Dominican Rep | (D Peso) | 23.8095 | 13.0606 | 8.1122 | 10.2516 |
| Ecuador (1) | (Sucre) | 2586.97o | 1419.07 | 881.421 | 1113.87 |
| | | 2665.75a | 1462.29 | 908.262 | 1147.79 |
| Egypt | (Egyptian £) | 6.0843 | 3.3375 | 2.073 | 2.6197 |
| El Salvador | (Colon) | 14.6632 | 8.0434 | 4.9959 | 6.3135 |
| Equat'l Guinea | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Ethiopia | (Ethiopian Birr) | 3.7235 | 2.0425 | 1.2686 | 1.6032 |
| Falkland Is | (Falk £) | 1.00 | 0.5485 | 0.3407 | 0.4305 |
| Faroe Is | (Danish Kroner) | 11.2925 | 6.1944 | 3.8475 | 4.8622 |
| Fiji Is | (Fiji $) | 2.7381 | 1.5019 | 0.9329 | 1.1789 |
| Finland | (Markka) | 7.9587 | 4.3657 | 2.7116 | 3.4267 |
| France | (Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Fr. Cty/Africa | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Fr. Guiana | (Local Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Fr. Pacific Is | (CFP Fr) | 178.00 | 97.6412 | 60.6473 | 76.6415 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Gabon | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Gambia | (Dalasi) | 16.0622 | 8.8108 | 5.4726 | 6.9159 |
| Germany | (D-Mark) | 2.9350 | 1.6099 | 1 | 1.2637 |
| Ghana | (Cedi) | 752.00 | 412.507 | 256.218 | 323.789 |
| Gibraltar | (Gib £) | 1.00 | 0.5485 | 0.3407 | 0.4305 |
| Greece | (Drachma) | 350.95 | 192.512 | 119.574 | 151.109 |
| Greenland | (Danish Krone) | 11.2925 | 6.1944 | 3.8475 | 4.8622 |
| Grenada | (E Carr $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| Guadaloupe | (Local Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Guam | (US $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Guatemala | (Quetzal) | 9.4472 | 5.1822 | 3.2188 | 4.0676 |
| Guinea | (Fr) | 1487.71 | 816.078 | 506.886 | 640.564 |
| Guinea-Bissau | (Peso) | 9157.50 | 5023.31 | 3120.1 | 3942.95 |
| Guyana | (Guyanese $) | 227.29 | 124.679 | 77.4412 | 97.8643 |
| Haiti | (Gourde) | 9.1575 | 5 | 3.1201 | 3.9429 |
| Honduras | (Lempira) | 9.9081 | 5.435 | 3.3758 | 4.2661 |
| Hong Kong | (HK $) | 14.1527 | 7.7634 | 4.822 | 6.0937 |
| Hungary | (Forint) | 144.54 | 79.2868 | 49.247 | 62.2346 |
| Iceland | (Icelandic Krona) | 106.22 | 58.2665 | 36.1908 | 45.7351 |
| India | (Indian Rupee) | 52.00 | 28.5244 | 17.7172 | 22.3896 |
| Indonesia | (Rupiah) | 3718.12 | 2039.56 | 1266.82 | 1600.91 |
| Iran, | (Rial) | 2616.0v | 1435 | 891.312 | 1126.37 |
| | | 118.95o | 65.2495 | 40.5281 | 51.2163 |
| Iraq | (Iraqi Dinar) | 0.5936 | 0.3256 | 0.2022 | 0.2555 |
| Irish Rep | (Punt) | 1.0955 | 0.6009 | 0.3732 | 0.4716 |
| Israel | (Shekel) | 4.55 | 2.4958 | 1.5502 | 1.959 |
| Italy | (Lira) | 2209.50 | 1212.01 | 752.811 | 951.346 |
| Jamaica | (Jamaican $) | 41.4652 | 22.7455 | 14.1278 | 17.8536 |
| Japan | (Yen) | 232.25 | 127.4 | 79.1311 | 100 |
| Jordan | (Jordanian Dinar) | 1.2464 | 0.6837 | 0.4246 | 0.5366 |
| Kenya | (Kenya Shilling) | 57.05 | 31.2945 | 19.4378 | 24.564 |
| Kiribati | (Australian $) | 2.4145 | 1.3244 | 0.8226 | 1.0396 |
| Korea North | (Won) | 3.9927 | 2.1901 | 1.3603 | 1.7191 |
| Korea South | (Won) | 1433.40 | 786.286 | 488.382 | 617.18 |
| Kuwait | (Kuwaiti Dinar) | 0.5315 | 0.2915 | 0.181 | 0.2288 |
| Laos | (New Kip) | 1300.36 | 713.308 | 443.053 | 559.897 |
| Lebanon | (Lebanese £) | 3140.40 | 1722.65 | 1069.98 | 1352.16 |
| Lesotho | (Maluti) | 5.1780 | 2.8403 | 1.7642 | 2.2294 |
| Liberia | (Liberian $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Libya | (Libyan Dinar) | 0.5055 | 0.2772 | 0.1722 | 0.2176 |
| Liechtenstein | (Swiss Fr) | 2.6625 | 1.4605 | 0.9071 | 1.1463 |
| Luxembourg | (Lux Fr) | 60.45 | 33.1596 | 20.5962 | 26.0279 |
| Macao | (Pataca) | 14.6588 | 8.041 | 4.9944 | 6.3116 |
| Madagascar | (MG Fr) | 3146.50 | 1726 | 1072.06 | 1354.79 |
| Madeira | (Port Escudo) | 242.70 | 133.132 | 82.6916 | 104.499 |
| Malawi | (Kwacha) | 5.81 | 3.187 | 1.9795 | 2.5016 |
| Malaysia | (Ringgit) | 4.6232 | 2.536 | 1.5751 | 1.9906 |
| Maldive Is | (Rufiya) | 18.15 | 9.9561 | 6.1839 | 7.8148 |
| Mali Rep | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Malta | (Maltese £) | 0.5778 | 0.3169 | 0.1968 | 0.2487 |
| Martinique | (Local Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Mauritania | (Ouguiya) | 155.531 | 85.3159 | 52.9918 | 66.967 |
| Mauritius | (Maur Rupee) | 28.90 | 15.8529 | 9.8466 | 12.4434 |
| Mexico | (Mexican Peso) | 5532.69 | 3034.94 | 1885.07 | 2382.21 |
| Miquelon | (Local Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Monaco | (French Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Mongolia | (Tugrik) | 73.26 | 40.1865 | 24.9608 | 31.5435 |
| Montserrat | (E Carr $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| Morocco | (Dirham) | 15.7896 | 8.6613 | 5.3797 | 6.7985 |
| Mozambique | (Metical) | 4312.60 | 2365.66 | 1469.37 | 1856.88 |
| Namibia | (S A Rand) | 5.1780 | 2.8403 | 1.7642 | 2.2294 |
| Nauru Is | (Australian $) | 2.4145 | 1.3244 | 0.8226 | 1.0396 |
| Nepal | (Nepalese Rupee) | 85.4028 | 46.8473 | 29.098 | 36.7719 |
| Netherlands | (Guilder) | 3.3050 | 1.8129 | 1.126 | 1.423 |
| N'nd Antilles | (A/Guilder) | 3.2784 | 1.7983 | 1.117 | 1.4115 |
| New Zealand | (NZ $) | 3.4142 | 1.8728 | 1.1632 | 1.47 |
| Nicaragua | (Gold Cordoba) | 9.1575 | 5.0233 | 3.1201 | 3.9429 |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Niger Rep | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Nigeria | (Naira) | 33.33 | 18.45 | 11.356 | 14.3509 |
| Norway | (Nor. Krone) | 11.4175 | 6.263 | 3.8901 | 4.916 |
| Oman | (Rial Omani) | 0.7074 | 0.388 | 0.241 | 0.3045 |
| Pakistan | (Pak. Rupee) | 43.00 | 23.5874 | 14.6507 | 18.5145 |
| Panama | (Balboa) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Papua New Guinea | (Kina) | 1.7555 | 0.9629 | 0.5981 | 0.7558 |
| Paraguay | (Guarani) | 2661.12 | 1459.75 | 906.685 | 1145.8 |
| Peru | (New Sol) | 2.02 | 1.108 | 0.6882 | 0.8697 |
| Philippines | (Peso) | 43.00 | 23.5874 | 14.6507 | 18.5145 |
| Pitcairn Is | (£ Sterling) | 1.00 | 0.5485 | 0.3407 | 0.4305 |
| | (NZ $) | 3.4142 | 1.8728 | 1.1632 | 1.47 |
| Poland | (Zloty) | 25038.0 | 13734.5 | 8530.83 | 10780.6 |
| Portugal | (Escudo) | 242.70 | 133.132 | 82.6916 | 104.499 |
| Puerto Rico | (US $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Qatar | (Riyal) | 6.6885 | 3.6689 | 2.2788 | 2.8798 |
| Reunion Is. de la | (F/Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| Romania | (Leu) | 414.83q | 227.553 | 141.339 | 178.614 |
| Rwanda | (Fr) | 223.88 | 122.809 | 76.2793 | 96.3961 |
| St Christopher | (E Carr $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| St Helena | (£) | 1.00 | 0.5485 | 0.3407 | 0.4305 |
| St Lucia | (E Carr $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| St Pierre | (French Fr) | 9.8625 | 5.41 | 3.3603 | 4.2465 |
| St Vincent | (E Carr $) | 4.945 | 2.7125 | 1.6848 | 2.1291 |
| San Marino | (Italian Lira) | 2209.50 | 1212.01 | 752.811 | 951.346 |
| Sao Tome | (Dobra) | 439.56 | 241.119 | 149.765 | 189.262 |
| Saudi Arabia | (Riyal) | 6.8910 | 3.78 | 2.3478 | 2.967 |
| Senegal | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Seychelles | (Rupee) | 9.00 | 4.9369 | 3.0664 | 3.8751 |
| Sierra Leone | (Leone) | 750.915 | 411.912 | 255.848 | 323.322 |
| Singapore | ($) | 2.9745 | 1.6316 | 1.0134 | 1.2807 |
| Solomon Is | ($) | 5.3110 | 2.9133 | 1.8095 | 2.2867 |
| Somali Rep | (Shilling) | 4798.53 | 2632.22 | 1634.93 | 2066.11 |
| South Africa | (Rand) | 5.1780c | 2.8403 | 1.7642 | 2.2294 |
| | | 6.4212g | 3.5223 | 2.1878 | 2.7647 |
| Spain | (Peseta) | 182.70 | 100.219 | 62.2487 | 78.6652 |
| Spanish Ports in N Africa | (Sp Peseta) | 182.70 | 100.219 | 62.2487 | 78.6652 |
| Sri Lanka | (Rupee) | 74.00 | 40.5924 | 25.2129 | 31.8622 |
| Sudan Rep | (£) | 164.835 | 90.4196 | 56.1618 | 70.973 |
| Surinam | (Guilder) | 3.2692 | 1.7933 | 1.1138 | 1.4076 |
| Swaziland | (Lilangeni) | 5.1780 | 2.8403 | 1.7642 | 2.2294 |
| Sweden | (Krona) | 10.5700 | 5.7981 | 3.6013 | 4.5511 |
| Switzerland | (Fr) | 2.6625 | 1.4605 | 0.9071 | 1.1463 |
| Syria | (£) | 37.0879 | 20.3444 | 12.6364 | 15.9689 |
| Taiwan | ($) | 45.55 | 24.9862 | 15.5195 | 19.6124 |
| Tanzania | (Shilling) | 546.24 | 299.638 | 186.112 | 235.195 |
| Thailand | (Baht) | 46.35 | 25.4251 | 15.7921 | 19.9569 |
| Togo Rep | (CFA Fr) | 493.125 | 270.502 | 168.015 | 212.325 |
| Tonga Is | (Pa Anga) | 2.4145 | 1.3244 | 0.8226 | 1.0396 |
| Trinidad/Tobago | ($) | 7.7839 | 4.2698 | 2.652 | 3.3515 |
| Tunisia | (Dinar) | 1.6493 | 0.9047 | 0.5619 | 0.7101 |
| Turkey | (Lira) | 12358.23 | 6779.06 | 4210.64 | 5321.09 |
| Turks & Calcos | (US $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Tuvalu | (Australian $) | 2.4145 | 1.3244 | 0.8226 | 1.0396 |
| Uganda | (New Shilling) | 2131.33 | 1169.13 | 726.177 | 917.688 |
| U A E | (Dirham) | 6.7482 | 3.7017 | 2.2992 | 2.9055 |
| United Kingdom | (£) | 1.00 | 0.5485 | 0.3407 | 0.4305 |
| United States | (US $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Uruguay | (Peso) | 5417.72 | 2971.87 | 1845.9 | 2332.71 |
| Vanuatu | (Vatu) | 204.58 | 112.222 | 69.7035 | 88.0861 |
| Vatican | (Lira) | 2209.50 | 1212.01 | 752.811 | 951.346 |
| Venezuela | (Bolivar) | 110.80 | 60.7789 | 37.7512 | 47.7072 |
| Vietnam | (Dong) | 20604.37 | 11302.5 | 7020.23 | 8871.63 |
| Virgin Is-British | (US $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Virgin Is-US | (US $) | 1.8230 | 1 | 0.6211 | 0.7849 |
| Western Samoa | (Tala) | 4.4410 | 2.436 | 1.5131 | 1.9121 |
| Yemen (Rep of) | (Rial) | 21.978 | 12.0559 | 7.4882 | 9.463 |
| Yemen (Rep of) | (Dinar) | 0.8425 | 0.4621 | 0.287 | 0.3627 |
| Yugoslavia | (Dinar) | 587.3260 | 322.176 | 200.111 | 252.885 |
| Zaire Rep | (Zaire) | 301800.0 | 165551 | 102828 | 129946 |
| Zambia | (Kwacha) | 268.31 | 147.18 | 91.4173 | 115.526 |
| Zimbabwe | ($) | 9.1850 | 5.0383 | 3.1294 | 3.9547 |

Special Drawing Rights May 29, 1992 United Kingdom £0.766998 United States $1.39632 Germany D Mark 2.25198 Japan Yen179.078
*European Currency Unit Rates June 1, 1992 United Kingdom £0.700591 United States $1.28418 Germany D Mark 2.05534 Japan Yen163.066*

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; (1) Ecuador: Sucre devalued by approx. 4% (29/5/92).
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
For USSR see Commonwealth of Independent States (CIS).
Monday, June 1, 1992.

## INTERNATIONAL CAPITAL MARKETS

# Enthusiastic response to French utility FFr3bn issue

By Tracy Corrigan

ACTIVITY in the Eurobond market picked up yesterday, and is expected to remain buoyant throughout the week, with several new issues likely to emerge in a stronger Ecu bond market.

### INTERNATIONAL BONDS

Among yesterday's offerings, Electricité de France, the French electricity utility, launched a FFr3bn issue due 2022, marking a further extension of the Euro-French franc yield curve from 20 to 30 years.

A month ago, Caisse Autonome de Réfinancement, the French government-owned agency, launched the first issue of 20-year bonds in the Euro-French franc bond market. Outside the government bond market, the longest duration available prior to the CAR deal was 15 years in the domestic market and 13 years in the Euroboud market.

The EDF deal, arranged by Paribas, was rapidly sold out, repeating the success of the CAR transaction. Demand was concentrated among international institutions, which are currently bullish on both the French bond market and currency. Insurance companies, which like to match assets to long-dated liabilities, were particularly active buyers.

In addition, the rarity of 30-year paper boosted demand. Dealers noted the spread for 12-year EDF paper is a basis point or two wider than the launch spread of 36 basis points above the 30-year OAT offered by EDF's 30-year deal.

For French borrowers which require long-dated funding, the long end of the yield curve has obvious attractions, since the yield curve is virtually flat from 10 years to 30 years, so they can extend maturity without paying a higher yield.

In the Ecu sector, **Mobil Oil** Canada launched an Ecu125m five-year deal via Credit Suisse First Boston, targetted at retail investors. The deal is intended to catch an expected surge of demand for Ecu bonds this week, if the Danes vote in today's referendum to ratify the treaty on European monetary union signed at Maastricht by European government leaders last December. The Ecu bond market rallied as much as half a point at the end of last week, as signs that Danes would vote for ratification relieved some of the political concerns which have been dogging the market.

A number of borrowers are preparing transactions, on expectations of a positive result for the market. France Telecom is planning an Ecu300-Ecu350m 10-year deal, while Caisse Nationale des Autoroutes is considering a nine-year deal of similar size.

Two Swedish borrowers, **Electrolux**, the manufacturing company, and **Spintab**, the Swedish mortgage subsidiary of Swedbank, tapped the dollar sector. Electrolux brought a $150m five-year deal via Lehman Brothers, while Spintab launched a $300m five-year deal, due to be priced today, via JP Morgan. The Swedish National Housing Corporation (SBAB) is also rumoured to be preparing a dollar transaction.

In the D-Mark sector, Finland added a further DM1bn tranche to its DM1bn 10-year deal launched a fortnight ago via Deutsche Bank. Although Finland has been a regular borrower in the sector, previous deals have been much smaller. Finland's growing financing needs – its borrowing programme is $10bn-$12bn this year – have encouraged a greater focus on markets where a distinct investor base exists. While many institutions which buy Ecu and dollars are rather full up on the name, German institutional demand remains firmer.

The first securitisation of aircraft leases, by the Irish leasing company GPA, is close to completion. The $522m deal, arranged by Citicorp, is due to be launched next week, providing a satisfactory credit rating from Standard & Poor's has been secured.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Electrolux(a)† | 150 | 7.75 | 100.985 | 1997 | 1.875/1.675 | Lehman Bros. Intl. |
| Den Danske Bk(b)‡† | 150 | (b) | 100 | 2000 | 75/50bp | Salomon Bros. |
| Banco Rio de la Plata(f)† | 30 | 9 | 99.7787 | 1995 | - | Bankers Tst. |
| **STERLING** | | | | | | |
| Woolwich B.S.(c)‡† | 75 | (c) | 99.70 | 1995 | (c) | BZW |
| Cie.Bancaire(d)† | 60 | 10.5 | 102.721 | 1996 | (d) | Natwest Cap.Mkts. |
| **ECUs** | | | | | | |
| Mobil Oil Canada(a)† | 125 | 9 | 101.475 | 1997 | 1.875/1.25 | CSFB |
| Investor Intl.Picmnts(g)§† | 200 | 7.25 | 100 | 2001 | 2.5/1.5 | Morgan Stanley Intl. |
| **FRENCH FRANCS** | | | | | | |
| Electricite de France(a)† | 3bn | 8.75 | 98.65 | 2022 | 50bp | Paribas Cap.Mkts. |
| **GUILDERS** | | | | | | |
| Bank AIG(a)† | 200m | 8.375 | 100.60 | 1997 | 1/0.625 | Rabobank |
| **D-MARKS** | | | | | | |
| Rep.of Finland(e)† | 2bn | 8.25 | 102.125 | 2002 | 2.5/1.5 | Deutsche Bk |
| Ichikoh Inds.(a)★★† | 100 | 9 | 101.625 | 1997 | 1.625/0.5 | Indl.Bk of Jap. |

★★Private placement. §Convertible. ◆With equity warrants. ‡Floating rate note. †Final terms. Non-callable. b) Amount increased from $100m. Callable from 1997 at par. Coupon pays 1.10% above 6-month Libor for the first five years then 2.50% thereafter. c) Fungible with existing £200m deal. Callable on each coupon date. Fees undisclosed. d) Fungible with existing £75m deal. Fees undisclosed. Non-callable. e) Amount increased from DM1bn. Non-callable. f) Issued under $300m MTN programme. g) Exchangable for shares in Investor AB, the holding company for the Wallenberg family. Borrower is a special purpose vehicle. Conversion premium fixed at 13.85pc.

# Mexico embraces the international financial markets

Damian Fraser on the share offerings and foreign listing which have made an impact on the country's business methods

IN THE past 12 months around a dozen Mexican companies have become significant players in the international financial markets, issuing billions of dollars in new stock and, in some cases, acquiring listings on Wall Street.

Just a few years ago such events in Mexico would have been thought of as laughable.

Not surprisingly the speed and extent of the changes are having a profound effect on Mexican business methods.

The share offerings have been spurred by the large financing needs of industry which needs badly to catch up after a decade of weak capital investment if it is to make the most of the proposed free trade pact with North America.

The trend started in May 1991 when the Mexican government sold 14 per cent of Telmex, Mexico's telephone monopoly, for $2.17bn, most of it in American or Global Depository Receipts.

In all, Mexican companies placed about $4.8bn of stock at home and abroad last year. This year $3.6bn has already been raised and a further $2bn could be in issue before the year is out.

Companies as diverse as Telmex, Vitro, Mexico's largest industrial conglomerate, and ICA, the construction company, are now listed on the New York Stock Exchange, with more to follow.

Foreign investment in Mexican ADRs is now short of $20bn.

In part, the rush to sell stock abroad reflects the phenomenal rise of the Mexican stock market and the desire of existing owners to cash on the high earnings multiples being offered: and the issues have had to be international since the Mexican stock market is far too small to absorb all the paper on sale. The more so since more than $11bn of Mexican savings have been used up to buy the country's privatised banks from the government.

Most Mexican companies were starved of capital during the 1980s. They are now having to invest heavily in a re-shape in order to compete under Mexico's relatively open trade policy, and prepare for a North American free trade area.

With foreign banks reluctant to lend directly, Mexican business has been forced to tap foreign money through equity or bonds.

At the same time the large public offerings of Mexican stock are forcing Mexican companies to face the discipline of the domestic and international equity markets, and meet much tighter reporting requirements.

This marks a particularly profound change in management styles. In the past, even some publicly owned Mexican companies were treated as little more than personal fiefdoms, an approach which helped put many of the country's largest companies into virtual bankruptcy in the early 1980s.

Mexican companies, prodded by the finance ministry, can see the benefits of giving up their freedom to run companies as they wish: going public, or being listed on foreign markets, cannot just reduce the cost of capital, but attract foreign partners that might otherwise shun a third world company.

Mr Arturo Trevino, the director general of Gigante, the supermarket chain, suggests that had it not been for his company's public listing, its joint venture with the US's largest wholesaler Fleming could not have gone ahead.

Similarly, Mr Hugo Jaime Garcia, *who is head of banking* relations at Vitro, says that his company's presence in global capital markets, while perhaps demanding in terms of investor relations, "reduces the aspect of Mexican risk".

# Strong purchasing data trigger selling of Treasuries

By Patrick Harverson in New York and Sara Webb in London

A MUCH stronger-than-expected National Association of Purchasing Management's report triggered heavy selling of US Treasury securities yesterday, although late in the day prices recovered from their lows.

### GOVERNMENT BONDS

In late trading, the benchmark 30-year government bond was down 3/4 at 101 1/32, yielding 7.887 per cent. The short end of the market was also markedly weaker, with the two-year note off 1/32 at 99 23/32, yielding 5.259 per cent.

The rise in the NAPM's index for May from 51.3 the *previous month to 56 was bigger* than analysts' forecasts (which had centred around 54), and sparked an immediate sell-off as hopes for another interest rate cut from the Federal Reserve dwindled further.

The purchasing managers figures indicated the economic recovery may be advancing at a faster pace than bond investors initially realised. The data suggested that Friday's employment report for May could show an improvement in labour market conditions.

■ UK government bonds ended the day lower, taking their cue from the US Treasury bond market.

The benchmark 11¾ per cent gilt due 2003/07 fell from its opening level of 118 3/32 to trade at 117 3/32 by late afternoon, yielding 9.07 per cent. Short-dated gilts slipped by around 1/32 of a point, dealers said. The Liffe gilt futures contract fell from its opening of 100.02 to end the day at 99.23, but volumes in the futures market were lower than normal with about 15,000 contracts traded.

*The latest tap stock – the 9* per cent Conversion stock due 2000 – continues to overhang the market, and dealers estimate that only about £200m of the total £800m has been sold since it was issued on May 22.

The market will be watching today's final money supply figures for April which are expected to provide details of exactly how much stock the Bank of England sold after the April 9 general election. According to earlier estimates, the Bank sold about £4bn of gilts immediately after the election.

■ THE main European government bond markets slipped yesterday, following the US Treasury bond market's lead and in the absence of significant economic news on the domestic front.

German government bond futures drifted from their opening level of 87.87 to end at 87.70, having traded in a narrow range of 87.69-87.89.

The Danish government bond market saw some profit-taking ahead of today's referendum on the Maastricht *Treaty on European Monetary* Union.

In view of the most recent batch of opinion polls, traders ~~expect Denmark to ratify the~~ Treaty, and the Danish bond market has already started to discount a vote in favour.

Some traders reported *switching out of Denmark into* Belgium, a market which has under-performed in recent days.

The yield spread of the Danish bond due 2000 over the 9 per cent Belgian bond due 2001 narrowed from 16 basis points to 10 basis points yesterday.

■ A stronger yen against the US dollar helped to boost Japanese government bonds yesterday, but the fall in share prices and the halt in the yen's rise prompted profit-taking, and the bond market closed lower on the day.

The Bank of Japan intervened in the foreign exchange markets selling dollars to boost the Japanese currency. The yen opened at Y127.15 in Tokyo trading yesterday, against Y128.15 at Friday's Tokyo close, and strengthened to Y126.6 in the afternoon at the peak of the central bank's intervention.

Traders noted some profit-taking as the yen slipped to reach Y127.15 against the dollar at the end of the day. The yield on the benchmark No 129 opened at 5.475 per cent, ending in Tokyo trading at 5.50 per cent. The yield moved to 5.515 per cent in London following the initial weakness in the US Treasury bond market and the yen's failure to continue its strengthening against the dollar.

*Dealers noted the No 144,* which matures in 2001 and has a 6 per cent coupon, may soon take over as the new benchmark bond as the three separate No 144 issues are combining to form a single-large issue.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 105.9060 | +0.102 | 9.10 | 9.11 | 9.40 |
| BELGIUM | | 9.000 | 06/01 | 101.3500 | +0.050 | 8.78 | 8.76 | 8.85 |
| CANADA * | | 8.500 | 04/02 | 100.36 | -0.350 | 8.45 | 8.50 | 8.70 |
| DENMARK | | 9.000 | 11/00 | 101.8000 | -0.200 | 8.67 | 8.79 | 8.80 |
| FRANCE | BTAN | 8.500 | 03/97 | 99.0472 | -0.075 | 8.73 | 8.67 | 8.88 |
| | OAT | 8.500 | 11/02 | 99.8200 | -0.200 | 8.51 | 8.48 | 8.70 |
| GERMANY | | 8.000 | 01/02 | 100.2900 | -0.130 | 7.94 | 7.93 | 7.98 |
| ITALY | | 12.000 | 02/02 | 98.2900 | +0.020 | 12.68† | 12.58 | 12.66 |
| JAPAN | No 119 | 4.800 | 06/99 | 95.3517 | +0.002 | 5.73 | 5.73 | 5.97 |
| | No 129 | 6.400 | 03/00 | 104.7136 | -0.373 | 5.53 | 5.50 | 5.66 |
| NETHERLANDS | | 8.250 | 02/02 | 99.6700 | -0.150 | 8.30 | 8.28 | 8.34 |
| SPAIN | | 11.300 | 01/02 | 102.1100 | -0.020 | 10.90 | 10.88 | 10.90 |
| UK GILTS | | 10.000 | 11/96 | 103-05 | -3/32 | 9.11 | 9.10 | 9.27 |
| | | 9.750 | 08/02 | 105-06 | -5/32 | 8.96 | 8.95 | 9.13 |
| | | 9.000 | 10/08 | 101-27 | -4/32 | 8.78 | 8.79 | 9.00 |
| US TREASURY * | | 7.500 | 11/01 | 100-27 | -11/32 | 7.37 | 7.35 | 7.42 |
| | | 8.000 | 11/21 | 101-07 | -20/32 | 7.89 | 7.86 | 7.92 |
| ECU (French Govt) | | 8.500 | 03/02 | 98.6200 | -0.060 | 8.55 | 8.57 | 8.76 |

London closing, *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 1

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 12 | 44 | 25 |
| Other Fixed Interest | 3 | 4 | 10 |
| Commercial, Industrial | 268 | 339 | 841 |
| Financial & Property | 117 | 152 | 529 |
| Oil & Gas | 6 | 33 | 47 |
| Plantations | 1 | 0 | 8 |
| Mines | 10 | 40 | 95 |
| Others | 21 | 71 | 36 |
| Totals | 438 | 683 | 1,591 |

### LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ◆ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

- First Dealings — May 18
- Last Dealings — June 5
- Last Declarations — Aug. 20
- For settlement — Sept. 1

*3-month call rate indications are also shown on this page.*

Calls in Acorn Computer, Bridgend, Ferranti, Gestetner Ord., Headlam, Investment Co., Merchant Retail, Norex, Ossory Ests., Pentland, Proteus Intl., Psion and Wilshaw. Puts and calls in British Aerospace and Hanson Warrants.

### LIFFE EQUITY OPTIONS

[illegible]

June 1 Total Contracts 19,723
Calls 10,915 Puts 8,808
FT-SE Index Calls 2,188 Puts 3,587
Euro FT-SE Calls 358 Puts 1,398
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

### TRADITIONAL OPTION 3-month call rates

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **INDUSTRIALS** | p | Charter Cons. | 37 | Ladbroke | 18 | Sears | 8½ | **OILS** | |
| Allied-Lyons | 49 | Comm Union | 34 | Legal & Gen | 29 | SmKl Bchm A | 60 | Aviva Pet | 25 |
| Amstrad | 6 | Courtaulds | 43 | Lex Service | 22 | TI | 55 | BP | 18 |
| Astec (BSR) | 3 | Eurotunnel | 32 | Lloyds Bank | 32 | TSB | 11½ | Burmah Castrol | 48 |
| BAT Inds | 68 | FKI | 6 | Lonhro | 12 | Tesco | 22 | Conroy Pet | 8½ |
| BOC | 53 | FNFC | 7 | Lucas Inds | 12½ | Thorn EMI | 63 | Gaelic Res | ½ |
| BTR | 35 | Forte | 19 | Marks Spencer | 27 | T & N | 11½ | Premier Cons | 2¼ |
| Barclays | 29 | GKN | 33 | Midland Bank | 30 | Unilever | 70 | Shell | 35 |
| Blue Circle | 24 | Gen Accident | 38 | NatWest Bank | 28 | Vickers | 15 | Tuskar Res | ½ |
| Boots | 34 | GEC | 17 | P & O Dfd | 37 | Wellcome | 75 | **MINES** | |
| Bowater | 60 | Glaxo | 82 | Racal Elect | 5½ | **PROPERTY** | | RTZ | 47 |
| Brit Aerospace | 28 | Grand Met | 38 | RHM | 18 | Brit Land | 18 | | |
| British Steel | 7 | GRE | 13 | Rank Org | 55 | Land Sec. | 30 | | |
| Brit Telecom | 25 | Hanson | 18 | Ratners | 3 | MEPC | 28 | | |
| Cadburys | 38 | ICI | 95 | Reed Intl | 44 | Mountleigh | 1½ | | |

# Dowty shares dip below cash offer

By Richard Gourlay

TI GROUP, the specialist engineer, yesterday appeared to lose some of the momentum it has build up in its hostile £495m bid for Dowty Group, the aerospace company, after its target's share price fell in the market.

Dowty's shares fell 5p to 178p, below the 175p value of a cash alternative that TI has offered shareholders.

Coming just seven days before TI's final offer closes, it was the first time that Dowty's share price had fallen below the cash alternative.

Arguably it is the first time that Dowty has looked as if it stands a serious chance of escaping from the confident TI's clutches.

"There are plenty of things that can happen in the next week", said a Dowty adviser. "But the word I get from the market is that people are nothing like as certain that TI is going to win."

TI said that trading in the shares was thin and dismissed the price fall as the result of one small sale followed by brokers marking down the shares.

One option, as yet unused, is for TI to buy shares in the market. It is allowed to buy up to 29 per cent of Dowty at prices up to the 175p cash alternative or up to 10 per cent of Dowty's shares up to the value of the four-for-15 share offer.

The share offer was worth 182.4p after TI closed yesterday at 342p after a share split.

Roy Roberts (left) with his chief executive Bruce Ralph

As the two sides traded interpretations of Dowty's share price move, the war of words continued over Dowty's estimated £29m pre-tax profit figure for 1992.

Responding to Dowty's confirmation that it will add a further £3m to this figure – from a cancelled Ministry of Defence contract – when it publishes preliminary figures on Friday, TI again attacked the quality of its target's earnings.

"Dowty has attempted to bolster its profits with one-off receipts and credits and has yet to provide a convincing explanation for a higher than expected profits estimate," TI said.

Before Dowty announced its £29m estimate, but after TI had declared its offer final, the market had been expecting profits of about £22m.

Mr Roy Roberts, Dowty chairman, wrote to shareholders saying TI's bid was "running out of wind".

"Your board sees little or no premium in the level of the TI offers," he said.

# Net assets fall by 24% at TR Property

By Vanessa Houlder, Property Correspondent

TR PROPERTY Investment Trust, which took over New England Properties at the end of January, yesterday announced a 24 per cent fall in its net asset value, from 40.61p to 30.71p per share, during the year to March 31.

Revenue before tax fell from £3.79m to £1.31m as a result of lower trading profits and provisions of £2.15m against the fall in value of property dealing stock. Group income from fixed investments rose marginally to £6.5m.

Mr Paul Hyde-Thomson, chairman, said that the New England Properties acquisition had fitted well with the existing spread of assets. The acquisition had enabled TRPIT to increase its weight in industrial property and increase the income return on the property portfolio to 10.3 per cent.

"Although activity in many areas of the property market is quickening, values remain depressed and it may be some time before our markets reflect the economic recovery that appears to be beginning," he said.

Earnings per share fell from 1.04p to 0.34p. A final dividend of 0.85p is proposed, making an unchanged 1.45p for the year.

# Celestion Audio and Kef both sold to SE Asian Kinergetics

By Daniel Green

TWO OF the most famous names in British hi-fi were sold yesterday to a south-east Asian-controlled company.

Celestion Audio was sold by its parent, Celestion, for £4.7m including £1.6m of debt and £500,000 of goodwill.

The new owner is Kinergetics Holdings (UK), 50 per cent held by a subsidiary of Hong Kong-based Gold Peak Industries with the remainder divided between Kinergetics Research, a US audio maker (with 40 per cent) and PL Banner and Associates, a UK venture capital company.

Kinergetics Holdings also bought Kef Audio, the loudspeaker manufacturer, from the receiver yesterday. The price was not disclosed.

Mr Paul Banner, Kinergetics Holdings chairman, said: "These are old English brand names which could have been marketed better in certain parts of the world." He said there was scope for higher revenues in North America and south-east Asia.

Celestion and Kef are among the companies that have maintained the UK's high reputation among specialist hi-fi buyers.

The sale leaves Celestion to concentrate on its other businesses in lingerie and swimwear.

"In a business the size of ours, we have to focus," said Mr Charles Ryland, chief executive. "There is a tremendous opportunity in our textiles business, primarily with Marks and Spencer."

The deal will cut gearing from a year-end figure of 42 per cent to about 20 per cent, said Mr Ryland. Gearing would be cut in half again by the end of the current year in December.

Earnings per share would rise slightly. Mr Ryland said that the disposal of the audio division was not related to its poor performance last year when it recorded an operating profit of £76,000 on sales of £13.6m, compared with £1.2m on £15.6m in 1990.

Celestion Textiles achieved an operating profit of £606,000 in 1991 on sales of £19.8m, down from the previous year's £1m. Between 85 per cent and 90 per cent of sales are to Marks and Spencer.

# Borthwicks' flavours decision justified

MR JOHN Thomson, chairman of Borthwicks, said the improved results for the year to March 28 justified the decision to dispose of the meat business and concentrate on natural flavours and food products.

Pre-tax profits improved from £255,000 to £1.29m, helped by exceptional profits of £226,000 relating to profits on the sale of a trademark less reorganisation costs. Last time there were exceptional charges of £633,000.

At the operating level profits were £1.76m, compared with £1.16m which included losses of £543,000 on discontinued businesses. Turnover fell from £51.3m to £44.4m but stripping out the £13.9m from discontinued businesses there was a 19 per cent rise.

Mr Thomson said that "operating margins had widened, from 2.25 per cent to 3.98 per cent, reflecting a striking improvement in the underlying quality of the ongoing businesses". Especially pleasing had been progress at Globe Extracts in the US where although profits were similar there had been a move to higher quality.

He added that the group was increasing its emphasis on the natural flavours business as shown by the acquisition of Cooke Tweedale & Lindsay.

In giving greater importance to the final dividend the proposed distribution is raised to 0.6p (0.5p) for a total of 1.1p (1p). Earnings per share came out at 1.8p (0.1p).

# Hawthorn Leslie makes loss of £13.5m

Hawthorn Leslie, the subject of a restructuring which entailed disposals and rationalisation to reduce debt, incurred a pre-tax loss of £13.5m for 1991.

The deficit, which compared with losses of £13.7m last time, included operating losses of £6.5m from businesses sold or closed.

Earlier this year the USM-quoted group, which is now focusing on mobile communications, agreed terms with its bankers for restructuring its remaining debt.

Directors said the actions taken had placed the group in a "stable financial position, albeit with a continuing weak balance sheet" and had enabled them to request the restoration of dealings in the shares – up ½p yesterday to 2p.

Turnover of continuing businesses amounted to £49.6m and losses per share emerged at 6.84p.

# Pacific Horizon hits out at manager Jupiter Tyndall

By John Authers

DIRECTORS OF Pacific Horizon, the investment trust, yesterday issued a strong attack on Jupiter Tyndall, its manager, which last month blocked an agreed takeover.

Martin Currie Pacific had made an offer but Jupiter Tyndall assembled a 25.1 per cent stake in the trust's warrants. This enabled it to block a resolution allowing for an improved version of the Martin Currie offer at an extraordinary meeting of warrant holders. A majority of 75 per cent was required.

Pacific Horizon's board continues unanimously to recommend the Martin Currie bid. It said it believed it "unlikely that Jupiter will now put forward proposals which are better for shareholders than the current Martin Currie Pacific offers".

The board's statement went on to express concern at the effect Jupiter Tyndall's management functions could have on its independence in the offer.

It added that the warrant holding had an approximate aggregate cost of £150,000, and that Jupiter Tyndall's management fees in the nine months to the end of April this year were £216,873. It stands to lose these if the Martin Currie bid is successful, according to Pacific Horizon.

The bid has been extended until today. Martin Currie said yesterday that up-to-date figures on valid acceptances would not be available until this afternoon. A decision would be taken on whether to continue the offer once this information is available.

The terms of the deal are complex. Martin Currie is offering to pay shareholders 92 per cent of the trust's formula asset value. This excludes 11 per cent of the fund's portfolio invested in illiquid stock, which would be sold, the proceeds being distributed to shareholders.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Devenish (JA), Eurocopy, Hunter-Print, Metro Radio, Perpetual, TSB Channel Islands

Finals- Allied Colloids, Atkins, Dunhill, Leigh Interests, Powell Duffryn.

FUTURE DATES

| | |
|---|---|
| **Interims-** | |
| Alvis | June 12 |
| Burndene Invs | June 11 |
| Control Techniques | June 12 |
| Eldridge Pope | June 11 |
| Henderson Administration | Nov. 9 |
| Lovell (YJ) | June 29 |
| Stakis | June 9 |
| Watson & Philip | June 11 |
| **Finals-** | |
| BSS | June 9 |
| Barbour Index | June 11 |
| Bradford Property Trust | June 16 |
| Drummond | June 11 |
| Eastern Electricity | July 8 |
| Manweb | June 18 |
| Oxford Instruments | June 11 |
| Phoenix Timber | June 11 |
| Protean | June 8 |
| Regalian Props | June 10 |
| Seton Healthcare | June 9 |
| Stanley Leisure | July 9 |
| URS Intl | June 9 |
| Vtech | June 8 |
| Waddington (John) | June 17 |

# Moratorium by Walbrook Ins

Walbrook Insurance, a subsidiary of London United Investment, has imposed a moratorium on all claims from May 29, writes Richard Lapper.

Directors said they believed the company would be able to develop plans, in co-operation with its policyholders, to ensure its long-term solvency.

Discussions had begun and it was intended to invite policyholders to receive proposals before the end of this month.

Southwark Run-Off Services will continue to service its policies and agree claims in the normal course of business.

# Hongkong Bank raises stake

By David Barchard

Hongkong and Shanghai Bank yesterday purchased 5m shares in Midland Bank at 415p, raising its stake by 0.66 percentage point to 15.23 per cent.

Hongkong Bank declined to identify the seller but said that the shares had been offered to it by an associated company. The bank said it was not the prelude to substantial buying of Midland shares.

● The Department of Trade and Industry has allowed Midland and Lloyds to trade in eachother's shares during ordinary business. Such activity would otherwise be illegal because of the Monopolies and Mergers Commission's investigation into Lloyds' possible bid for Midland.

# New trust from Kleinwort stable

Kleinwort Benson Investment Management is to launch an investment trust aimed at raising about £30m.

A formal launch is expected within the next two weeks once various technical details have been decided.

The trust would be the first to invest solely in secondhand unmatured endowment policies. It will have a fixed life and will probably not pay any dividends.

A large supply of endowments is available at present, as most are sold as a repayment mechanism for a mortgage. Many homeowners in arrears on their loan have opted to sell their endowments to marketmakers.

# Scholl steps into herbs

Scholl, the personal care products group best known for its health sandals, is stepping into the expanding field of herbal medicine.

It is paying an undisclosed sum for Gerard House, a Bournemouth-based company which currently markets 30 licensed herbal medicine products.

Gerard House had turnover of £1.9m last year and has net assets of £50,000.

# BEP falls to £4m and board changes planned

By Peggy Hollinger

BOARD CHANGES are likely soon at the Bristol Evening Post, the regional newspaper in which Sunday Sport publisher Mr David Sullivan owns a 10 per cent stake.

Along with the announcement of a 15 per cent fall in annual pre-tax profits to £4.06m, Mr Michael Gay, chief executive of BEP, said top managerial changes would be announced later this month "which would lead to possible board appointments".

Mr Gay said the changes had come as the result of an "internal reappraisal".

The candidates – who could come from outside the company - are unlikely to include Mr Sullivan, who was thwarted in his attempt to win a seat on the board at an extraordinary meeting in August.

Mr Sullivan, a multi-millionaire who made his fortune through the sale of a string of sex shops in 1981, was also blocked by the Monopolies and Mergers Commission from taking a controlling stake in the middle-market tabloid in 1990.

The advertising recession continued to weigh heavily on BEP over the year ending

David Sullivan: unlikely to win a seat on the board

March 31. Mr Gay said a sharp decline in advertising – 67 per cent of total newspaper revenues - had been the main reason for the profits decline. Sales were flat at £61.4m.

Employment advertising was hardest hit, with revenues down by 36 per cent to £3.5m. Mr Gay said there was no sign of an upturn in advertising, and any recovery would be "very long term".

Newspaper profits fell from £1.4m to £800,000. Sales of the flagship paper rose by 2.5 per cent to 102,000 average daily circulation.

The increase had been achieved by becoming more "popular", Mr Gay said, and not by moving down-market.

BEP retained 83 retail outlets, although it was still planned to reduce this to 50 confectionery and newsagent shops. The retail division had been disappointing, with profits down almost 32 per cent to £463,000.

During the year, BEP reduced staff from 937 to 810, while 72 employees took pay cuts of up to £3,500. Net savings of £1m were achieved as a result. Mr Gay said cost-cutting would save a further £2.1m in the current year.

The redundancies resulted in an exceptional cost of £3.2m which was offset by the sale of 357,800 Reuters shares for £3.3m. BEP retains 535,000 shares, representing £6.2m at yesterday's close. The company has £2.7m cash in the bank.

Earnings per share fell from 13.54p to 12.44p.

A maintained final dividend of 7.75p makes an unchanged 11.5p total.

# Zider to apple lager - country smocks to urban image

**Richard Gourlay** looks at the forthcoming market flotation of Taunton Cider

TIME WAS when cider conjured up images of the rural English idyll: felt-capped yokels leaning on five-bar gates, straw between teeth and scrumpy at hand. More prosaically it was gentlemen of the road, or students, sliding comatose from their seats after availing of one of the most cost-effective ways of getting drunk.

Neither image is exactly what the large commercial cider makers want. Over the past decade, HP Bulmer and Taunton Cider, the UK's two largest producers, have spent large amounts advertising an altogether different – they say contemporary – image.

Among their greatest challenges has been to make a cider that can be drunk in "sessionable quantities", a piece of exquisite marketing-speak referring to the search for a cider whose taste will not stop drinkers in their tracks after a few pints - even if its strength will.

While cider's image is far from reconstructed, the repositioning of the product appears to have been remarkably successful. Last year, when the UK drinks market shrank 5 per cent, cider sales volume rose by 3 per cent in spite of the bad summer and the recession. From a position of 2.5 per cent market share 20 years ago, one in every 20 pints drunk in the UK today is cider.

It is into this background that Taunton Cider, the west country company founded 90 years ago, is to come to the stock market early next month. The flotation is likely to put a valuation of £130m-£150m on the company which its management bought from a consortium of brewers, including Bass, Courage and Scottish & Newcastle, in May last year for £72.5m.

Such a rapid transition, and at such a premium, might suggest that the buy-out team bought Taunton for a song. But Mr Peter Adams, chief executive and managing director since 1987 and one of the team that with employees put up 15 per cent of the £3.3m initial capital, insists this was not the case.

"At the time of the buy-out there was great uncertainty," he says. "We had broken free from our previous partners and there was concern over how well we could perform." At the same time the EC was contemplating applying much higher wine excise duties to cider – a move Brussels has now decided not to make – and the Gulf war was in full swing. In any case, Schroders, the merchant bank, oversaw the trade sale to ensure the management team had no advantage.

While the uncertainty may have been there, foundations were in place for impressive growth. operating profit rose from £5m in 1987 to £12.5m last year and James Capel, the company's brokers, expect operating profit of £16m for the year to last April.

"The sea change in the cider market came in the late 1970s when draft cider became widely available in bars," says Mr Adams. Taunton's Dry Blackthorn and Bulmer's Strongbow began to grow rapidly, with Taunton increasing its market share from 18.7 per cent in 1975 to 33.4 per cent in 1991, compared to Bulmer's 45 per cent share.

Then in 1986, Taunton launched Diamond White, designed to compete with premium lagers such as Holsten Pils and Becks, but with a significantly bigger kick.

Colin Beere

Bottling up: Peter Adams with Taunton's brands

This was followed in 1989 with the launch of Red Rock, backed by an advertising campaign featuring actor Leslie Nielson, star of the US Police Squad series, that is as expensive as it is eccentric. Red Rock is aimed at the lager drinker and, Mr Adams says, lacks the bitter-sweet edge of Dry Blackthorn that tends to sate the palate too quickly for the sake of healthy sales.

Cider's transformation to something the style-conscious drinker felt good being seen with is reflected in the premium ciders' share of Taunton's sales. Growing 20 per cent year on year, premium ciders now account for 25 per cent of Taunton's sales volume and 40 per cent of sales.

These developments were taking place as the brewers' stranglehold on distribution was being loosened by the Monopolies and Mergers Commission. The March 1989 order that there should be more competition between brewers and a restriction of the tied system gave the buy-out team the opportunity to go independent, with the prospect of a freer market for their product.

Mr Adams then put his own bid together, backed by Samuel Montagu and Morgan Grenfell Development Capital, at the same time as he was supplying Schroders with the information other bidders would need for a trade sale.

Barely 14 months after the successful buy-out, Taunton is ready for the market and hoping to float at a rating somewhere between Bulmer and Guinness at a multiple of about 16.

The flotation is likely to raise about £70m which will be used to repay all £41m loan stock and mezzanine debt and all but £10m of bank debt, leaving the company with pro-forma gearing of 44 per cent.

It is almost guaranteed to lead to jollity in Taunton where all but eight of the company's 500 employees became shareholders, albeit on a modest scale, in the buy-out. A rather larger glass will be raised by Mr Adams' management team which will be retaining about 4 per cent of the company.

## NEWS DIGEST

### Record £2m at Hicking Pentecost

RECOVERY AT Hicking Pentecost was confirmed yesterday as the Cardiff-based textiles and specialist castings manufacturer reported profits ahead to a record £2.17m pre-tax for the year to the end of March.

The outcome – scored on turnover ahead to £24.6m (£21.1m) - compared to £782,000 last time and a deficit of £1.69m the year before.

Mr John Lister, chairman, said that Nicholson Plastics, which makes glass reinforced plastic water storage tanks, made a better-than-expected contribution to profits since its acquisition last July.

Since the year-end, Hicking has acquired Thompson Horseley Bridge, another water tank manufacturer, and Mr Lister said that further purchases were being sought.

Operating margins and return on capital improved, he said, and the proceeds of last year's open offer, after the Nicholson purchase, helped to cut borrowings.

Gearing was eliminated by the year-end with a net cash balance of about £1.5m.

After an increased tax charge, earnings per share improved 44 per cent to 11.25p (7.82p). A proposed final dividend of 2.2p lifts the total by 51 per cent to 3.4p.

### Local advertising lifts Midlands Radio

Improved revenue from local advertising and reduced operating costs helped Midlands Radio achieve a rise in profits from £307,000 to £605,000 pre-tax for the half year to March 31. Turnover rose 8 per cent to £5.3m

Earnings per share increased from 1.55p to 3.04p and the interim dividend is a same-again 1.5p.

The increase in revenue from local advertising was not matched by increased national advertising.

Mr John Parkinson, chairman, warned: "The directors feel they must show some caution until there are clearer signs of the economic recovery".

### Deeper losses and refinancing at Porth

Performance at Porth Group, the USM-quoted Christmas decorations manufacturer, continued to decline over 1991, with turnover down from £21m to £17.6m and pre-tax losses deepening to £1.34m against £1.04m.

Losses per share were 9.6p (18.3p), reflecting a consolidation and rights issue.

The company has now negotiated the refinancing demanded by its banks.

Private and institutional shareholders will subscribe to £978,000 loan stock, the European Coal and Steel Community will provide a £250,000 loan, the Welsh Development Agency has agreed to a £485,000 factory sale and leaseback arrangement, and Rhondda and Mid-Glamorgan local authorities have agreed to provide bank guarantees worth £350,000.

The group also has a cost-cutting programme including redundancies, and is considering mergers or disposals. No improvement in sales is expected until 1993.

### EIS expands via £10.7m purchase

EIS Group, which has interests in process equipment, aircraft engineering and hydraulic and precision engineering, has acquired from T&N the assets of its fluidrive division together with the share capitals of Fluidrive Engineering and Sime SNC of France for £10.7m cash.

Fluidrive and Sime manufacture a range of hydraulic couplings used in materials handling, mining and air and liquid pumping applications. Combined, they had sales of £21.7m and pre-tax profits of £88,000 for 1991. Net assets at the year end were £13m, including £5.9m of cash.

## COMPANY NEWS: UK

# Westland advances 11% and seeks closer links with Agusta

By Paul Betts,
Aerospace Correspondent

WESTLAND, the helicopter group, is intensifying its industrial links with Agusta, the Italian state-controlled helicopter company, in an effort to forge a second European helicopter partnership to compete against the recently established Franco-German Eurocopter venture.

The group said it was getting closer to Agusta and looking for new co-operation opportunities with the Italian company. The two companies are joint partners in the development of the EH101 anti-submarine and search and rescue helicopters.

Westland also reported yesterday a 11 per cent increase in pre-tax profits to £10.4m for the six months to March 27, compared with £9.4m. The figure was helped by a lower exceptional charge of £900,000 (£3.4m) mainly because of lower redundancy costs.

Mr Alan Jones, Westland's chief executive, said the EH101 programme underpinned the future of the company's helicopter business. He described the collaboration with Agusta as encouraging and expected it to lead to greater co-operation in production and marketing activities.

However, he emphasised the two companies were not considering equity investments or other financial links at this stage.

Mr Jones said the UK government's agreement last year to acquire 44 EH101 helicopters for the Royal Navy would provide Westland with business worth £900m, the first helicopters being due to be delivered in 1995.

Italy is also committed to buy EH101 helicopters for its navy but the order hinges on Italian parliamentary approval. Although the current confused political situation in Italy has made the timing of the helicopter order uncertain, Italy is expected to order 16 with options on an additional eight.

Westland would benefit by about £125m from the Italian order.

Mr Jones said Canada was reviewing the possibility of acquiring 50 of the helicopters. He expected a decision by the end of this year but conceded Canada could either go ahead or drop the proposal.

While seeking closer ties with Agusta in Europe, Westland is continuing to co-operate with Sikorsky and McDonnell Douglas of the US on other military programmes.

Westland has teamed up with McDonnell Douglas to bid for a £2bn UK army attack helicopter contract based on the McDonnell Douglas Apache AH-64. It faces competition from the Franco-German Eurocopter Tiger helicopter, which may bid with British Aerospace, and a joint bid from General Electric Company of the UK and Bell of the US with the Cobra Venom helicopter.

The army is expected to make a formal request for bids next year.

Westland is also hoping to clinch an order to manufacture up to 88 Sikorsky Black Hawk helicopters for Saudi Arabia. Mr Jones said the timing of the order remained uncertain and Westland was not expecting any significant developments in the immediate future.

The Black Hawk requirement would be part of the second phase of the Saudi Al Yamamah defence contract led by British Aerospace. Mr Jones said the Saudis' top priority was a new air base, followed by additional Tornado aircraft with the Black Hawks in third place.

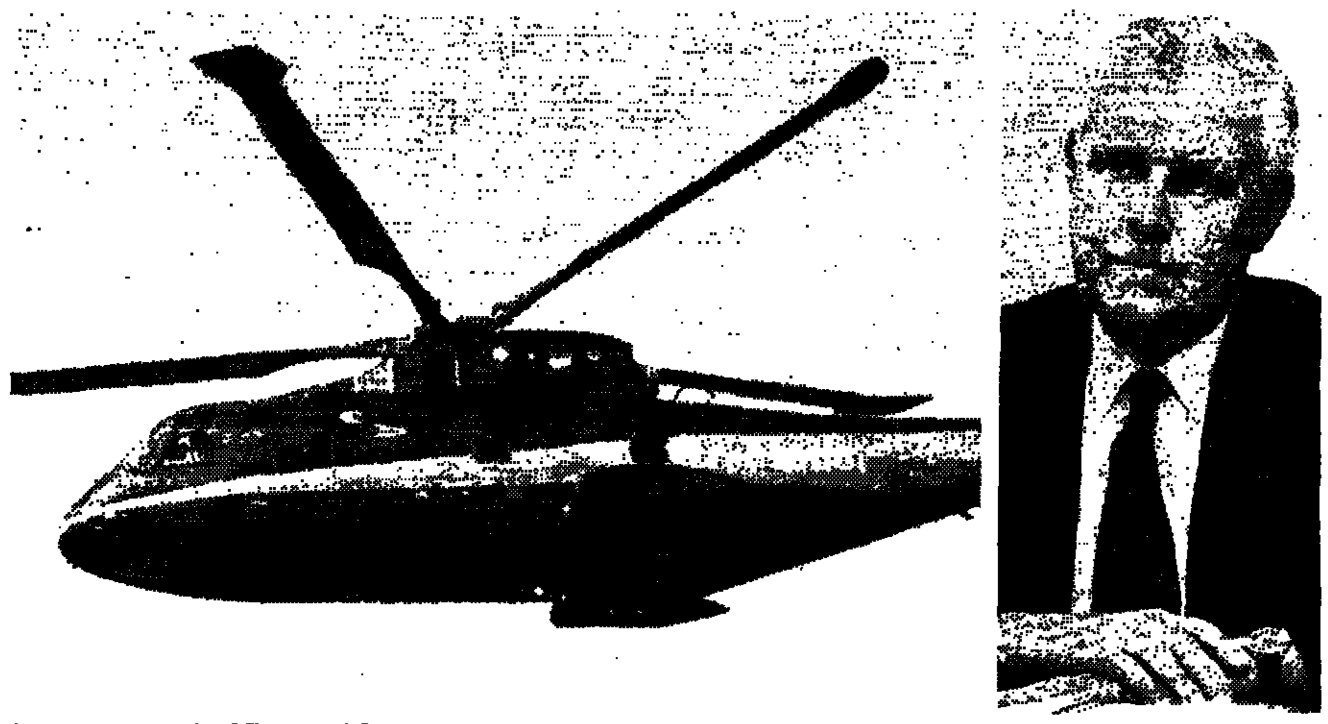
Mr Jones was satisfied with the company's first half performance which showed improvements in the profit margins of all the company's divisions in difficult market conditions.

Turnover fell from £241.4m to £198.1m because of fewer helicopter deliveries.

Earnings per share fell to 4.8p, compared with 6.1p after an increased tax charge of £2.5m (£1.1m) reflecting a higher tax rate of 24 per cent (20 per cent). The interim dividend is maintained at 1.25p.

Mr Jones said the company's commercial aerospace business had been affected by the difficulties of the civil aircraft and airline markets. But the company is hoping to see some recovery in the second part of the year as airline traffic continues to improve.

See Lex



Alan Jones and the EH101, which underpins the future of the helicopter business

# US financier claims to have taken stake in $1bn WPP debt

By Gary Mead,
Marketing Correspondent

MR GARY KLESCH, a London-based American financier, has announced that his company, Klesch and Company, has "within the last 10 days" bought an unspecified amount of the bank debt of WPP, the troubled international marketing services group which owes $1bn (£500m).

However, WPP expressed surprise at the suggestion that Mr Klesch had bought some of its debt – $1bn spread across a 28 bank syndicate – since the company had not been informed that debt had been consigned to another holder. This is normally a technical requirement for such debt sales.

Mr Klesch said he had not yet bought the debt "under assignment" which he said "would require WPP's consent not to be unreasonably withheld" but on a "sub-participation basis". He suggested that a contract between himself and a selling bank does not require prior WPP approval.

He declined to say which of WPP's banks have sold him WPP debt, what amount of debt had been sold or at what price.

WPP said Mr Klesch might have a "phantom" arrangement with some of the banks to eventually purchase WPP debt, but that actual purchase of the debt could not go ahead without WPP's approval. WPP added that "it would be most unlikely" for the group to agree that any of its debt eventually be reassigned to Mr Klesch.

Mr Klesch said that he intended to seek to have the debt fully assigned to him eventually, but probably not in the next two weeks. He added that it was normal practice for his company – which deals in corporate restructures and value-impaired assets – initially to buy secondary bank debt on the 'silent' sub-participation basis before going fully public.

There have been signs for some time that some of the smaller banks in the syndicate are unhappy with their WPP loans and wish to withdraw from the syndicate. Mr Klesch yesterday declined to say whether his purchase of WPP bank debt was intended to enable him to take a stake in the group or for trading on at a future date.

WPP is currently in the midst of discussions with its banking syndicate on a refinancing proposal which would see the banks subscribe for a rights issue of £150m, which would be used to reduce the group's debt by 25 per cent. In exchange, the banks would agree to subscribe for up to 55 per cent of the enlarged equity. In turn, such a proposal would require shareholder approval; there have been indications in the last two weeks that some shareholders are dissatisfied with the terms on offer.

# MTM secures extended bank facilities

By Paul Abrahams

MTM, the chemicals group, has secured extended credit facilities with its banks until January 4 next year.

The move, involving a standstill arrangement, follows two short extensions after the disclosure last month that it was in breach of its covenants.

MTM ended the 1991 year with total endebtedness of £82.2m. By last month, when the group announced its results for 1991, debt had risen to £106.7m. Mr Ken Schofield, the newly appointed chief executive, has said his main objective would be to reduce the company's debt to about £50m.

Meanwhile, the company has received the final version of a report by auditors Binder Hamlyn on the events leading up to the series of profit warnings this spring. The report is understood to reveal transactions that were "incorrectly recorded" last year and in 1990.

# Disposals help Faber Prest advance to £1.84m

By Peggy Hollinger

SHEDDING less-profitable businesses helped Faber Prest, the industrial and distribution services group, lift pre-tax profits in the first half by 2 per cent to £1.84m.

Mr Roger Feaviour, the former Norcros executive who took over at Faber in September, said the company had taken out "elements which contributed large turnover" but not much profit.

The result was a 12.5 per cent decline in sales to £34.7m for the six months to March 31, and steady operating profits of £2.2m.

At the same time, Faber reduced debt from £9.5m at the year-end to £6m at the interim stage. About half of the decline was achieved through disposals and the rest by cash management.

Gearing stood at 32 per cent and interest was 4.5 times covered with payments 48 per cent down at £530,000.

The dividend is maintained at 4.3p, payable out of earnings marginally ahead at 11.69p (11.65p).

The most surprising performance in the first half came from the industrial services division which concentrates on recycling slag for use in road surfaces.

In spite of the depressed steel industry, this division managed to increase margins from 9.9 to 10.8 per cent. As a result, profits were maintained at £1.3m, on sales 8 per cent down.

The rise in margins had been achieved through increased efficiency, said Mr Feaviour, while at the same time offering lower-than-inflationary price increases to hard-pressed.

The bad news came from Faber's share in slag recycler Appleby Group – which swung from a £208,000 profits contribution to a £126,000 loss.

This depressed profits from associated undertakings by 54 per cent to £194,000.

Distribution increased its profits contribution by 14 per cent to £900,000.

# Cullen's dips to £608,000

CULLEN'S HOLDINGS, the food retailer, experienced a fall in annual profits despite a strong performance from its neighbourhood food stores and an increase in turnover from £18.1m to £20.6m.

The pre-tax figure for the year to March 1 fell from £825,000 to £608,000, reflecting primarily the decline in profits from the sale of franchises on existing stores.

Retail operations contributed £509,000 to operating profits, an increase of almost 40 per cent over the previous year, reflecting the strength of the neighbourhood food store operation.

The company has launched two new food retail formats, a prototype patisserie cafe and chicken and ribs restaurant which also supplies speciality foods to the stores.

Development and launch costs of these prototypes have been written off within the £146,000 exceptional items, which also include compensation paid to a former director.

There is currently no debt and an unchanged dividend of 0.5p is recommended, payable from earnings of 1.5p (2.8p).

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Borthwicks ............fin | 0.6 | Aug 5 | 0.5 | 1.1 | 1 |
| Bristol Ev Post ........fin | 7.75 | July 23 | 7.75 | 11.5 | 11.5 |
| Cullen's ..................fin | 0.5 | Aug 14 | 0.5 | 0.5 | 0.5 |
| Faber Prest .............int | 4.3 | July 22 | 4.3 | - | 8.6 |
| Hicking P'cost .........fin | 2.2 | Aug 4 | 1.65 | 3.4† | 2.25 |
| Midlands Radio .......int | 1.5 | Aug 4 | 1.5 | - | 2.5 |
| TR Property Inv .......fin | 0.85† | July 31 | 0.85 | 1.45 | 1.45 |
| Westland .................int | 1.25 | July 31 | 1.25 | - | 4 |

Dividends shown pence per share net except where otherwise stated.
†On increased capital.

# Weather worries spark surge in US grain prices

By Barbara Durr in Chicago

GRAIN FUTURES prices shot up in Chicago yesterday as concerns about weather gripped traders. In late morning trading at the Chicago Board of Trade the July contract, the spot month, for soyabeans jumped 17 cents to $6.31 a bushel, wheat climbed 8.5 cents to $3.58 and maize rose 4.5 cents to $2.64.

"It's pure weather," said Mr Steve Bruce, grains analyst for the big Chicago trading house of Geldermann. "They're not going up on nearby demand, it's going up on concern about the crop. The trade is very weather sensitive."

Differing weather patterns in the midwest's and south-western growing states were affecting crops in various manners. But the overall effects appeared negative for crop harvests and growing conditions.

Heavy rains were pounding certain Plains states, such as Oklahoma, where it was believed that harvests of soft red winter wheat could have suffered damage. Spurring further concern in the wheat market, the Kansas Farm Bureau reduced its estimate of the 1992 wheat crop by 20m bushels because of last week's frost damage.

Meanwhile, in the northern Midwest, particularly in Illinois, persistent dryness was touching off worries that there would be damage to the newly planted crops of soyabeans and maize.

The National Weather Service and other long-term forecasters have been predicting hot, dry weather for June and July. Illinois has already recorded its driest May on record.

The weight of the weather forecasting has sent large commodities funds into the grain pits to buy, speculating that prices are likely to rise further. The spate of fund buying "has fuelled the fire" on prices, said Mr Bruce.

# US silver mine closes because of low prices

By Barbara Durr in Chicago

DEPRESSED SILVER prices have prompted Asarco, the big US mining group, to close temporarily its Galena silver mine in Northern Idaho. The mine, which produced 3.3m troy ounces of silver last year, will be placed on a care-and-maintenance.

Silver prices are at the lowest level in real terms since the late 1960s and there is little expectation in the silver market that they will turn around soon.

Asarco holds a 37.5 per cent interest in Galena's profits and Hecla Mining Company has a 12.5 per cent interest. Coeur d'Alene Mines Corporation, the mine's owner and from which it is leased, takes 50 per cent.

Lower metals prices shaved $100m off Asarco's last year's earnings of $46m and they have continued to bite into this year's. The company, which has spent heavily to expand, is keen to improve operating results.

# Ekofisk oil field back to full production

By Neil Buckley

NORWAY'S EKOFISK oilfield was back in full production yesterday, less than a week after being shut down following a fire in an air filter on one of its platforms.

Phillips Petroleum, the field's operator, said Ekofisk was producing at slightly above its usual output of 250,000 barrels a day, because of a small build-up of pressure while the field was closed. The nearby Valhall and Hod fields, linked to Ekofisk by pipeline, were pumping a combined 114,000 b/d, up from their normal 100,000.

Gas supplies from Ekofisk to a consortium of European buyers via Emden in Germany had also resumed.

NPD, Norway's oil industry watchdog, ordered the closure of the field on Monday of last week pending clarification of the cause of a brief fire in the air filter of a gas turbine.

Phillips said yesterday that the incident was the result of human error, which led to a small explosion in the turbine following routine cleaning. The company is changing the alarm system on its turbines as a result.

The fire occurred only hours before a planned maintenance shutdown that would have closed the field for about 90 hours. Had the Ekofisk closure lasted for an extended period, there were fears that this might have affected production from the giant Statfjord and Gullfaks fields, with combined output of more than 1m b/d.

The Ula and Gyda fields, which are also tied into Ekofisk, were not yet producing because of maintenance work, Phillips said, but were expected to be back on-stream soon.

# Mr Koskov's copper-bottomed business plan

## One of Russia's small but growing band of entrepreneurs talks to Kenneth Gooding

VLADIMIR KOSKOV is offering holidays in Spain and Lada cars to encourage people to collect the copper scrap that he says is liberally scattered across Russia. Collectors are rarely interested in roubles, he says. So student collectors can earn eight days in Spain for every half a tonne of old copper they deliver. He has also bought 100 Ladas, each to be swapped for four and a half tonnes of scrap.

Mr Koskov is one of a small but growing band of Russian entrepreneurs battling a system that is proving resistant to change. Copper is central to his plans for the future. He sees the metal as a certain way of converting roubles into hard currency. But there is the little matter of obtaining export licences.

He is certain his company will eventually get the licences it needs. However, the situation is complex because the old bureaucracy knows there is money to be made from the bribes for favours done when something is in demand. "The old system bred a criminal mentality," Mr Koskov suggests. So licences are for absurdly small amounts of copper, from 1,000 to 5,000 tonnes. The more licences to be issued, the greater the bribe opportunity. Some will be issued by the Ministry of Foreign Economic Relations and some by the regional authority in Ekaterinburg. The rest will be auctioned off to the highest bidder at commodity exchanges.

Mr Koskov is a mild-mannered man of 40. He was head of automation at a defence equipment manufacturing establishment before starting his own business in 1986. This was a small consultancy co-operative involving seven other people from the local polytechnic and the defence plant.

He had his first taste of the opportunities offered by exporting when he swapped 100 Russian guitars for two computers. The guitars were to be sold to students at Cambridge in England and Mr Koskov simply gave them to someone who was about to take off from Moscow airport to London. "There were some problems with customs officers at Moscow," he recalls with a smile. "But I said, where is it written that an aircraft passenger can't take 100 guitars?"

Vladimir Koskov: Sees metal exporting as a certain way of converting roubles into hard currency

Today his Teknesis group of companies, based in Ekaterinburg, has a wide range of interests but the most important one at the moment is collecting Russia's copper scrap and having it re-refined into metal suitable for export.

He says that last year Teknesis exported about 10,000 tonnes of copper (as well as 10,000 tonnes of aluminium, some tungsten and molybdenum). This year he hopes to get licences to export 75,000 tonnes of copper from Russia. Teknesis also has a deal with the Balkhash and Upper Pyshminsky refineries in Kazakstan to sell all their production, perhaps 150,000 tonnes.

To put this into context, the former Soviet Union's net copper exports moved above 100,000 tonnes for the first time only in 1989. Last year, as the new Commonwealth of of Independent States exported everything possible to raise desperately-needed hard currency, net exports are estimated to have reached 312,000 tonnes.

Mr Koskov is storing copper in a warehouse at Le Havre, France, where it can be used as collateral for loans from the Credit Lyonaise bank as well as providing a buffer stock to ensure a smooth supply to customers. He says a quality guarantee is given by the Societé Général Surveillance of Geneva. He has set up companies in France, England and Switzerland to handle his export business, which he claims now has an annual turnover of about $100m.

Metal sales are organised by his London office. He describes the copper operation as "an enabler". It is simply a way of raising the hard currency he needs to push through ambitious plans for his business in Russia. He is using the hard currency raised to import computers and other equipment into Russia. His aim is to link the main business centres there through one or two computer head stations eventually using about 30,000 terminals. He also hopes Russia's newly-developing commodity exchanges will be linked via this system and suggests that this link should help to stabilise the prices of some goods.

There tend to be gluts of goods in some parts of the republic, particularly at the ports, and severe shortages in others. Mr Koskov believes an integrated commodity exchange system would reflect the overall situation more accurately.

Teknesis is also setting up business centres in, initially, five cities (Ekaterinburg, Moscow, St Petersburg, Khabarovsk and Novosibirsk) aimed particularly at western companies that would prefer to move in when all the equipment – telephones, computers, furniture and so on – is installed and up and running – Mr Koskov is even offering Renault limousines as part of a package for companies needing to ferry people to and from airports.

In spite of Russia's economic problems, he hopes to sell about 1,000 of these business centres at 9m roubles each, or $65,000 or 70 tonnes of copper. He says that, once the price is paid, he can guarantee an office will be ready for occupation in 45 days.

Mr Koskov also is building up his copper business in Russia. His company is supplying the Kazakhstan smelters – from a plant in Omsk – with a flotation agent, needed in the refining process. The new agent, he claims, reduces emissions of sulphur dioxide (one of the causes of acid rain) by 10 to 20 per cent.

He recently started to supply the flotation agent and scrap copper to the huge Norilsk nickel-copper combine. Norilsk needs scrap for its smelting process and in return Koskov is willing to buy refined copper for 300,000 roubles a tonne instead of the 70,000 roubles the Russian state export agency would pay.

He is also selling copper to a pipe producer at Revda, near Ekaterinburg, which in turn is exporting his products to France.

Mr Koskov says he set up his Swiss company to manage the group's finances because the Russian banking system has virtually collapsed. According to his statement of account, the Bank for Foreign and Economic Affairs owes his companies $500,000 in hard currency. "But the bank has no money. The state took the money."

He complains that, until recently, any person with hard currency and apparently well-off was assumed by most Russians to be a criminal, part of Russia's Mafia. That is now changing, he suggests. "People are now begining to realise there are good as well as bad ways of making money."

But the entrepreneurial spirit is still hard to detect in Russia. Mr Koskov says he knows of only a handful of other Russian entrepreneurs and tells an anecdote to illustrate his point.

A year ago he approached the management at the defence plant where he once worked offering to help. They were not interested. But recently they called him back. "The plant was at a standstill. The managers were just sitting there, twiddling their thumbs, waiting for something to happen." He asked them if the plant could produce car bodies if it was given a contract. Yes, said the managers, but there was no capital and, even worse, they had to dispose of 6,000 surplus missiles.

Mr Koskov had to point out that there were tons of valuable alloys, ounces of precious metal and hundreds of expensive components to be reclaimed from this missile stockpile.

Many other people in Mr Koskov's position would have taken the profit and retired, perhaps to a sunnier climate. Why does he press on, combatting a system and enduring the chaos?

He does not pause an instant before replying: "It is sad for any man to see his mother dying – Russia is dying and it is very painful for me".

# Fresh 'mad cow' study urged

By David Owen

MR DAVID Clark, the UK shadow agriculture minister, is to call for an independent report into "mad cow" disease, saying that the incidence of infection is continuing to rise.

According to Mr Clark, there have been a weekly average of 631 new cases in Britain in the four months to end-April 1992, compared with 437 last year. This constitutes an increase of 45 per cent.

He plans today to table a parliamentary written question asking Mr John Gummer, the agriculture minister, to convene a committee of independent scientific experts to publish a report on the disease.

"In the pre-election period, the government was trying to con us that the disease would start declining soon," he said.

According to Mr Clark's figures, a total of 55,300 cases of bovine spongiform encephalopathy (as the disease is more properly termed) have now been diagnosed, with the heaviest concentration in south-west England.

The ministry of agriculture yesterday did not dispute that the incidence of infection was continuing to rise but said the number of new cases was expected to peak very shortly.

# EC fishing off Canada suspended

THE EUROPEAN Community, in an attempt to placate Canada, said yesterday it would suspend fishing in waters just outside Canadian territorial waters, reports Reuter from Brussels.

Canada says EC fleets fishing in the Grand Banks off Newfoundland are partly to blame for a drastic depletion of its fish stocks.

The European Commission said that it had "decided to stop the main fishing activities of the EC fleet in the zone administered by the North-West Atlantic Fisheries Organisation".

# CIS metal output lower than estimated, says report

By Kenneth Gooding, Mining Correspondent

LEAD and zinc production in the states comprising the former Soviet Union has been nowhere near the level most western estimates suggest, claims the Commodities Research Unit, the London-based consultancy.

It says lead mine output has been less than half the 490,000 tonnes widely estimated by western analysts. Zinc mine production has been less than two-thirds the previously estimated 870,000 tonnes.

The CRU bases its estimates on fieldwork and personal contacts within the former Soviet Union. Metal production figures are still state secrets and are not published by official sources in Moscow.

The consultancy's estimates suggest that the former Soviet Union was the third largest producer of mined copper in 1990, after Chile and the US, with an output of almost exactly 1m tonnes – not far short of figure given by other western analysts.

"In spite of a policy of self-sufficiency under the former communist regime, the Soviet Union was not self-sufficient in mine production of copper, lead or zinc," says the CRU in a special report produced in association with Mekhanobr Institute, a technical research organisation based in St Petersburg.

"More than 100,000 tonnes of copper in concentrates were imported from Mongolia in 1988-90; imports of lead concentrates were recently as high as 12 per cent of smelter production, although they fell in 1991 because of the shortage of foreign exchange; imports of zinc concentrates were more than 8 per cent of smelter production in 1990, but have also fallen since then."

The CRU blames lack of investment in mine development and declining ore grades for the weak state of the Soviet industry. It suggests that pollution is of serious concern at all the Soviet copper, lead and zinc smelters and is now starting to restrict production.

It suggests, however, that Russia and Kazakhstan, the republics dominating base metal production in the Commonwealth of Independent States, "could become very attractive areas for investment by western mining companies."

*The Copper, Lead and Zinc Industries of the former USSR, £12,000 from the CRU, 31 Mount Pleasant, London WC1X 0AD.*

# WORLD COMMODITIES PRICES

## MARKET REPORT

London's robusta **COFFEE** market saw early gains erased in the afternoon, leaving the September contract unchanged from Friday's close. Dealers said there was little follow through buying interest after Friday's advance in New York. The market could now settle down to trade in a narrow band ahead of the first set of negotiations for a new coffee pact on June 22-26. Dealers discounted some unconfirmed talk of cold weather in Brazil. LME trading was mainly influenced by fluctuations in the sterling/dollar exchange rate, with most metals ending below their highs. Three-month **TIN** touched a 20-month high of $6,460 a tonne after European trade buying touched off short covering and buy stops. While profit taking eventually pared gains, chartists are still looking for a near-term target of $6,500. Nymex **PLATINUM** futures were firmer at midday as the fundamental front continued to look bright. Analysts cited continued concerns over the availability of physical supply, particularly in Europe, as well as perceptions that European car companies are coming to market. The EC set the end of this year as the deadline for new models of gasoline-powered cars to have catalytic converters.

**Compiled from Reuters**

## London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $18.60-8.65y | +.125 |
| Brent Blend (dated) | $20.85-0.95 | +.175 |
| Brent Blend (Jul) | $20.80-0.85 | +0.15 |
| W.T.I (1 pm est) | $22.05-2.10y | +0.10 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $232-234 | |
| Gas Oil | $185-186 | +1 |
| Heavy Fuel Oil | $83-85 | |
| Naphtha | $191-193 | +1 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $337.20 | +0.25 |
| Silver (per troy oz)♣ | 401c | -6 |
| Platinum (per troy oz) | $368.5 | -1.7 |
| Palladium (per troy oz) | $79.25 | -1.25 |
| Copper (US Producer) | 105.21c | -0.04 |
| Lead (US Producer) | 37.0c | |
| Tin (Kuala Lumpur market) | 15.48r | -0.05 |
| Tin (New York) | 62.0 c | |
| Zinc (US Prime Western) | 297.5c | +5.0 |
| Cattle (live weight) | 109.37 | +0.33* |
| Sheep (live weight)†♠ | 89.52p | +13.5* |
| Pigs (live weight)† | 91.36p | +2.82* |
| London daily sugar (raw) | $252.0t | +4.1 |
| London daily sugar (white) | $295.5t | +2.0 |
| Tate and Lyle export price | £248.0 | +1.5 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | £147.5 | |
| Wheat (US Dark Northern) | £120 | |
| Rubber (Jul)♥ | 53.25p | +0.25 |
| Rubber (Aug)♥ | 53.25p | +0.25 |
| Rubber (KL RSS No 1 Jun) | 216.5r | -0.5 |
| Coconut oil (Philippines)§ | $615.0t | +5.0 |
| Palm Oil (Malaysian)§ | $392.5y | |
| Copra (Philippines)§ | $397.5 | |
| Soyabeans (US) | £148.0z | |
| Cotton "A" index | 61.60c | |
| Wooltops (64s Super) | 424p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Apr z-Jun. q-May. †Meat Commission average fatstockprices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 217.00 | 222.80 | 222.40 | 215.00 |
| Oct | 207.00 | 208.40 | 208.40 | 203.00 |
| Dec | 195.00 | 195.00 | 192.60 | 192.60 |
| Mar | 198.80 | | 201.00 | |
| May | 198.40 | 199.00 | 199.00 | |
| **White** | **Close** | **Previous** | **High/Low** | |
| Aug | 284.50 | 286.00 | 288.00 | 280.00 |
| Oct | 268.50 | 271.00 | 270.50 | 266.00 |
| Dec | 268.50 | 271.00 | 270.30 | 269.00 |
| Mar | 271.00 | | 274.20 | 269.00 |

Turnover: Raw 307 (159) lots of 50 tonnes. White 793 (828)
Paris- White (FFr per tonne): Aug 1572.34 Oct 1477.89

**CRUDE OIL – IPE** ($/barrel)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 20.79 | 20.79 | 20.96 | 20.69 |
| Aug | 20.68 | 20.68 | 20.67 | 20.60 |
| Sep | 20.65 | 20.62 | 20.80 | 20.63 |
| Oct | 20.56 | | 20.64 | 20.59 |
| Nov | 20.48 | 20.40 | 20.52 | 20.48 |
| IPE Index | 20.64 | 20.69 | | |

Turnover 19844 (24051)

**GAS OIL – IPE** ($/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 184.50 | 183.75 | 186.00 | 183.75 |
| Jul | 185.25 | 184.25 | 186.50 | 184.50 |
| Aug | 187.50 | 186.25 | 188.50 | 187.00 |
| Sep | 189.25 | 188.25 | 190.25 | 189.00 |
| Oct | 191.25 | 190.50 | 192.75 | 191.00 |
| Nov | 192.75 | 192.25 | 194.50 | 192.75 |
| Dec | 194.25 | 193.25 | 195.75 | 194.25 |

Turnover 14063 (11667)lots of 100 tonnes

**TEA**

There were 17,760 packages for the day, reports the Tea Brokers' Association. The Landed market continued selective. Good liquoring east Africans ruled firm to dearer with dusts a better feature, but mediums were 2-3p lower and some plainer lines were neglected. Central Africans also tended easier. Offshore teas came in for limited support and prices were generally easier for all descriptions. The highest price realised this week was 201p for a Rwanda pd. Quotations: quality: 165p, good medium: 132p, medium: 103p, low medium: 86p.

**COCOA – London FOX** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 547 | 541 | 550 | 536 |
| Sep | 569 | 564 | 572 | 563 |
| Dec | 604 | 598 | 606 | 597 |
| Mar | 636 | 629 | 638 | 628 |
| May | 656 | 649 | 659 | 651 |
| Jul | 876 | 869 | 879 | 870 |
| Sep | 696 | 692 | 700 | 695 |
| Dec | 722 | 717 | 725 | 717 |

Turnover: 5617 (2865) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 29 696.79 (688.73) 10 day average for Jun 1 706.31 (709.46)

**COFFEE – London FOX** ($/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 726 | 726 | 750 | 725 |
| Sep | 746 | 746 | 765 | 745 |
| Nov | 767 | 768 | 782 | 767 |
| Jan | 783 | 787 | 803 | 790 |
| Mar | 800 | 805 | 815 | 810 |
| May | 825 | 818 | 830 | |

Turnover:2293 (1860) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 28: Comp. daily 49.72 (49.28) 15 day average 49.80 (49.63)

**POTATOES – London FOX** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 93.4 | 94.8 | 94.0 | 91.4 |

Turnover 214 (255) lots of 20 tonnes.

**SOYAMEAL – London FOX** (£/tonne)

| | Close | Previous | High/Low |
|---|---|---|---|
| Jun | - | 124.50 | |

Turnover 0 (78)lots of 20 tonnes.

**FREIGHT – London FOX** ($10/index point)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 1183 | 1182 | 1185 | 1182 |
| Jul | 1083 | 1075 | 1083 | 1070 |
| Aug | 1133 | | 1133 | |
| Oct | 1205 | 1200 | 1205 | |
| Jan | 1230 | 1230 | 1230 | |
| BFI | 1261 | 1267 | | |

Turnover 81 (176)

**GRAINS – London FOX** (£/tonne)

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 121.10 | 122.40 | 121.50 | 121.00 |
| Nov | 113.40 | 113.60 | 113.60 | 113.40 |
| Jan | 117.10 | | 117.15 | 117.10 |
| Mar | 120.00 | 120.25 | 120.00 | |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Sep | 107.00 | 107.40 | 107.00 | |
| Nov | 110.85 | | 111.00 | 110.85 |
| Mar | 116.95 | | 116.95 | 116.90 |

Turnover: Wheat 193 (125) , Barley 57 (-).
Turnover lots of 100 Tonnes.

**PIGS – London FOX** (Cash Settlement) p/kg

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 120.0 | 118.5 | 118.7 | 72.5 |
| Jul | 111.0 | 111.0 | 111.0 | 110.5 |
| Aug | 103.5 | 102.0 | 103.0 | 102.8 |
| Oct | 106.0 | | 106.8 | 106.0 |
| Nov | 106.0 | 107.0 | 107.3 | 107.0 |

Turnover:17 (49) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 20,057 lots |
| Cash | 1306-7 | 1303-3.5 | 1306/1306.5 | 1305.5-6 | | |
| 3 months | 1331.5-2 | 1328-8.5 | 1332/1329 | 1331-1.5 | 1329-9.5 | 159,223 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 26,484 lots |
| Cash | 1214-5 | 1215-6 | 1210.5/1210 | 1210-1 | | |
| 3 months | 1241.5-2 | 1239-40 | 1243.5/1234.5 | 1238-9 | 1243.5-4 | 102,352 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 5,815 lots |
| Cash | 292-2.5 | 287.5-8.5 | 288.5 | 288.5-9 | | |
| 3 months | 304-4.5 | 300-300.5 | 306/300 | 300.5-1 | 305-6 | 16,961 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 5,119 lots |
| Cash | 7330-40 | 7335-45 | 7335 | 7335-8 | | |
| 3 months | 7420-5 | 7427-8 | 7426/7425 | 7426-8 | 7420-5 | 22,715 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 2,921 lots |
| Cash | 6390-400 | 6245-55 | | 6390-400 | | |
| 3 months | 6427-30 | 6275-80 | 6460/6290 | 6420-30 | 6425-35 | 6,315 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 11,289 lots |
| Cash | 1432-4 | 1440-5 | 1433 | 1435-6 | | |
| 3 months | 1282-3 | 1284-5 | 1285/1280 | 1282-3 | 1279-80 | 59,775 lots |

LME Closing £/$ rate:
SPOT: 1.8235 3 months: 1.7969 6 months: 1.7696 9 months: 1.7498

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 337.00-337.40 | |
| Opening | 336.60-337.00 | |
| Morning fix | 336.80 | 183.472 |
| Afternoon fix | 336.85 | 184.272 |
| Day's high | 337.30-337.60 | |
| Day's low | 336.30-336.60 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 3.23qq | 6 months | 3.31 |
| 2 months | 3.29 | 12 months | 3.50 |
| 3 months | 3.29 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 219.65 | 402.75 |
| 3 months | 225.30 | 406.60 |
| 6 months | 230.65 | 410.75 |
| 12 months | 241.25 | 420.70 |

**GOLD COINS** (Prices supplied by Engelhard Metals)

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 336.50-337.50 | 184.40-184.90 |
| Maple leaf | 347.00-348.00 | 190.15-190.65 |
| New Sovereign | 82.25-83.25 | 45.00-45.50 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Jul | Sep | Jul | Sep |
| 1200 | 116 | 136 | 3 | 5 |
| 1300 | 30 | 60 | 13 | 29 |
| 1400 | 3 | 18 | 84 | 85 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2100 | 129 | 137 | 3 | 4 |
| 2200 | 35 | 56 | 8 | 24 |
| 2300 | 3 | 18 | 71 | 79 |
| **Coffee** | **Jul** | **Sep** | **Jul** | **Sep** |
| 700 | 32 | 61 | 17 | 15 |
| 750 | 7 | 32 | 32 | 35 |
| 800 | 1 | 16 | 76 | 70 |
| **Cocoa** | **Jul** | **Sep** | **Jul** | **Sep** |
| 525 | | 48 | | 9 |
| 550 | 36 | 32 | 16 | 18 |
| 575 | 22 | 20 | 28 | 31 |
| **Brent Crude** | **Jul** | **Aug** | **Jul** | **Aug** |
| 2000 | 95 | | 7 | 26 |
| 2050 | 83 | 70 | 19 | |
| 2100 | 21 | 44 | 36 | |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 22.03 | 22.11 | 22.31 | 21.98 |
| Aug | 22.06 | 22.10 | 22.31 | 22.00 |
| Sep | 22.00 | 22.04 | 22.23 | 21.95 |
| Oct | 21.93 | 21.96 | 22.13 | 21.90 |
| Nov | 21.82 | 21.85 | 22.00 | 21.80 |
| Dec | 21.72 | 21.75 | 21.90 | 21.68 |
| Jan | 21.51 | 21.63 | 21.79 | 21.58 |
| Feb | 21.50 | 21.52 | 21.55 | 21.50 |
| Mar | 21.39 | 21.41 | 0 | 0 |
| Apr | 21.28 | 21.30 | 21.35 | 21.30 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 6025 | 6031 | 6100 | 6005 |
| Aug | 6078 | 6081 | 6140 | 6065 |
| Sep | 6188 | 6186 | 6240 | 6170 |
| Oct | 6278 | 6276 | 6340 | 6275 |
| Nov | 6367 | 6360 | 6430 | 6360 |
| Dec | 6430 | 6443 | 6510 | 6425 |
| Jan | 6450 | 6458 | 6535 | 6450 |
| Feb | 6325 | 6328 | 6410 | 6310 |
| Mar | 6090 | 6093 | 6160 | 6105 |
| Apr | 5880 | 5883 | 5940 | 5940 |

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 337.8 | 336.4 | 338.0 | 336.4 |
| Jul | 338.7 | 337.4 | 0 | 0 |
| Aug | 339.6 | 338.4 | 339.7 | 338.2 |
| Oct | 341.5 | 340.2 | 341.1 | 340.5 |
| Dec | 343.6 | 342.3 | 343.5 | 342.2 |
| Feb | 345.9 | 344.5 | 344.7 | 344.7 |
| Apr | 348.2 | 346.7 | 347.7 | 347.7 |
| Jun | 350.7 | 349.2 | 0 | 0 |
| Aug | 353.4 | 351.9 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 368.3 | 366.6 | 368.5 | 366.0 |
| Oct | 372.3 | 370.0 | 372.4 | 369.5 |
| Jan | 371.8 | 369.8 | 370.0 | 370.0 |
| Apr | 372.0 | 370.0 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 403.8 | 401.3 | 403.0 | 400.0 |
| Jul | 404.7 | 402.2 | 407.0 | 399.0 |
| Aug | 406.5 | 404.0 | 0 | 0 |
| Sep | 407.8 | 405.2 | 410.0 | 402.5 |
| Dec | 412.5 | 409.8 | 414.5 | 407.0 |
| Jan | 414.2 | 411.2 | 0 | 0 |
| Mar | 417.6 | 414.7 | 412.0 | 412.0 |
| May | 421.5 | 418.3 | 0 | 0 |
| Jul | 425.2 | 421.9 | 0 | 0 |
| Sep | 429.5 | 426.1 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 102.30 | 101.10 | 102.40 | 100.75 |
| Jul | 102.30 | 101.10 | 102.50 | 100.70 |
| Aug | 102.30 | 101.26 | 101.70 | 101.70 |
| Sep | 102.30 | 101.26 | 102.45 | 100.90 |
| Oct | 102.30 | 101.30 | 0 | 0 |
| Nov | 102.30 | 101.35 | 0 | 0 |
| Dec | 102.50 | 101.35 | 102.60 | 101.10 |
| Jan | 102.15 | 101.25 | 0 | 0 |
| Feb | 102.00 | 101.10 | 0 | 0 |
| Mar | 101.90 | 101.00 | 101.90 | 100.75 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 9.73 | 10.03 | 10.04 | 9.64 |
| Oct | 9.29 | 9.36 | 9.36 | 9.15 |
| Mar | 9.18 | 9.22 | 9.24 | 9.05 |
| May | 9.15 | 9.19 | 9.18 | 9.07 |
| Jul | 9.05 | 9.10 | 9.12 | 9.09 |
| Oct | 9.00 | 8.89 | 0 | 0 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 878 | 864 | 884 | 872 |
| Sep | 923 | 909 | 926 | 919 |
| Dec | 976 | 964 | 979 | 973 |
| Mar | 1028 | 1016 | 1029 | 1024 |
| May | 1059 | 1047 | 1058 | 1058 |
| Jul | 1089 | 1077 | 1083 | 1083 |
| Sep | 1118 | 1106 | 0 | 0 |
| Dec | 1153 | 1141 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 63.30 | 63.30 | 63.90 | 62.90 |
| Sep | 65.40 | 65.30 | 65.90 | 64.90 |
| Dec | 68.10 | 67.95 | 68.50 | 67.70 |
| Mar | 70.90 | 70.40 | 71.30 | 70.50 |
| May | 74.90 | 75.15 | 75.35 | 74.75 |
| Jul | 77.35 | 77.20 | 0 | 0 |
| Sep | 79.40 | 78.60 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 58.43 | 58.04 | 58.70 | 58.00 |
| Oct | 60.05 | 59.60 | 60.45 | 59.90 |
| Dec | 60.33 | 59.92 | 60.60 | 60.05 |
| Mar | 61.58 | 61.25 | 61.60 | 61.25 |
| May | 62.06 | 61.76 | 62.00 | 61.95 |
| Jul | 62.35 | 62.13 | 0 | 0 |
| Oct | 62.00 | 61.75 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 130.85 | 132.30 | 131.80 | 130.55 |
| Sep | 123.80 | 125.25 | 125.05 | 123.45 |
| Nov | 117.50 | 117.80 | 118.20 | 116.90 |
| Jan | 115.85 | 116.70 | 116.50 | 115.25 |
| Mar | 115.40 | 116.00 | 115.80 | 115.00 |
| May | 114.85 | 115.50 | 115.00 | 115.00 |
| Jul | 115.05 | 115.50 | 0 | 0 |
| Sep | 115.05 | 115.50 | 0 | 0 |
| Nov | 115.05 | 0 | 0 | 0 |

**INDICES**

**REUTERS** (Base: September 18 1931 = 100)

| Jun 1 | May 29 | mnth ago | yr ago |
|---|---|---|---|
| 1599.1 | 1595.5 | - | 1717.2 |

**DOW JONES** (Base: Dec. 31 1974 = 100)

| | May 29 | May 28 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 117.31 | 117.16 | - | 128.68 |
| Futures | 117.77 | 117.43 | - | 128.24 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 620/4 | 614/0 | 637/0 | 619/0 |
| Aug | 623/4 | 616/0 | 638/4 | 623/0 |
| Sep | 628/2 | 619/6 | 645/0 | 627/0 |
| Nov | 636/4 | 627/2 | 651/0 | 634/0 |
| Jan | 642/6 | 634/0 | 659/0 | 642/0 |
| Mar | 651/0 | 642/4 | 654/0 | 651/0 |
| May | 657/0 | 648/4 | 668/4 | 657/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 21.94 | 21.29 | 22.29 | 21.75 |
| Aug | 22.06 | 21.46 | 22.46 | 21.85 |
| Sep | 22.35 | 21.67 | 22.60 | 22.00 |
| Oct | 22.42 | 21.78 | 22.65 | 22.15 |
| Dec | 22.70 | 22.07 | 22.99 | 22.50 |
| Jan | 22.82 | 22.16 | 22.90 | 22.70 |
| Mar | 23.07 | 22.38 | 23.15 | 22.95 |
| May | 23.32 | 22.60 | 23.50 | 23.15 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 184.2 | 183.2 | 188.3 | 183.8 |
| Aug | 184.8 | 184.2 | 188.1 | 184.7 |
| Sep | 184.9 | 185.2 | 188.8 | 184.5 |
| Oct | 203.5 | 203.3 | 208.8 | 203.5 |
| Dec | 203.4 | 203.5 | 209.0 | 203.0 |
| Jan | 204.0 | 203.9 | 209.0 | 204.0 |
| Mar | 205.5 | 204.1 | 210.0 | 205.5 |
| May | 206.0 | 206.0 | 210.0 | 206.0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 256/6 | 258/4 | 266/4 | 258/0 |
| Sep | 262/2 | 264/0 | 271/0 | 262/0 |
| Dec | 266/4 | 267/0 | 274/2 | 266/0 |
| Mar | 273/6 | 274/6 | 280/6 | 273/4 |
| May | 278/0 | 277/6 | 284/0 | 278/0 |
| Jul | 283/0 | 282/0 | 286/0 | 282/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 354/0 | 349/4 | 361/0 | 353/4 |
| Sep | 359/2 | 354/2 | 365/0 | 358/4 |
| Dec | 367/4 | 362/2 | 373/0 | 367/0 |
| Mar | 368/0 | 362/6 | 372/0 | 368/0 |
| May | 357/4 | 352/0 | 360/0 | 357/0 |
| Jul | 336/0 | 336/0 | 342/0 | 336/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 72.575 | 71.925 | 72.625 | 72.025 |
| Aug | 70.275 | 69.475 | 70.300 | 69.600 |
| Oct | 69.400 | 68.900 | 69.400 | 68.950 |
| Dec | 69.075 | 68.600 | 69.100 | 68.650 |
| Feb | 68.850 | 68.400 | 68.900 | 68.700 |
| Apr | 70.075 | 69.650 | 70.100 | 69.800 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 47.075 | 46.950 | 47.275 | 46.900 |
| Jul | 45.150 | 45.000 | 45.400 | 44.900 |
| Aug | 42.750 | 42.525 | 43.025 | 42.500 |
| Oct | 39.700 | 39.450 | 39.850 | 39.300 |
| Dec | 42.675 | 42.375 | 42.850 | 42.250 |
| Feb | 43.725 | 43.600 | 44.050 | 43.600 |
| Apr | 42.750 | 42.500 | 42.800 | 42.400 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 32.150 | 32.275 | 32.850 | 32.100 |
| Aug | 30.250 | 30.300 | 30.750 | 30.150 |
| Feb | 44.125 | 43.600 | 44.650 | 43.750 |
| Mar | 43.800 | 42.925 | 43.950 | 42.850 |
| May | 44.650 | 43.900 | 44.950 | 44.450 |

# LONDON STOCK EXCHANGE

# Equities give ground as account opens

By Terry Byland

TURNOVER in equities fell away in London yesterday as the new two-week trading account opened on a flat note. The FT-SE index quickly lost the 2,700 mark and the downward trend steepened briefly after Wall Street opened lower when news of a sharp rise in the US Purchasing Management Index discouraged hopes of an early easing in Federal Reserve credit policy.

Traders sounded unperturbed, however, by yesterday's loss of 10 points on the Footsie, about half of which reflected nothing more than ex dividend adjustments to a batch of leading blue chip stocks. The FT-SE Index closed at 2,697.6, with chart analysts suggesting that 2,675 could be the next testing level. The international scene remained quiet, with sterling showing little change against the D-mark. Multinational stocks moved in response to sector influences rather than wider currency implications.

Seaq volume fell to 425.3m shares, compared to Friday's 520.7m. Yesterday's Seaq total was believed to include a programme trade carried out by a leading UK institutional broking house which, as has become the convention, made its move in the stock index *futures market early in the* trading session.

The London market appeared to be moving into a period of relative calm. This week promises no scheduled important economic or company announcements, and traders believe that any further shocks from the Canary Wharf property collapse are largely discounted in the stock market. However, the dangers *of further setbacks in property* groups continued to hover over the sector and, also, to hold back those UK clearing banks known to be heavily exposed in London.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| May 11 | Jun 1 | Jun 15 |
| Option Declarations: | | |
| May 28 | Jun 11 | Jun 25 |
| Last Dealings: | | |
| May 29 | Jun 12 | Jun 26 |
| Account Day: | | |
| Jun 8 | Jun 22 | Jul 6 |

*New-time dealings may take place from 8.30 am two business days earlier.

Dealers reported some signs that fund managers were continuing to back away from the retailing and consumer stocks, which stood out in the market's post-election advance, and moving towards stocks considered to be "safe earners", such as the utilities. US investors again sought out pharmaceutical stocks, reversing their policies of the earlier months of this year.

But equity business was not heavy enough yesterday to provide a genuine test of institutional attitudes. At Nikko Europe, Mr Peter Thorne *expressed a widely-held view* in saying that he expects the London market to consolidate around its current level "for the next few weeks". He sees the short-term outlook as unsettled by worries over the pace of economic recovery, leaving the London market good value on a one-year view.

However, in its latest broad-based review, James Capel Economics has trimmed back its growth forecast for the UK economy in 1992 from 1.9 per cent to 1.3 per cent. It comments that the fall in output in the first quarter of the year was larger than expected and that the early data for the second quarter has also been disappointing.

Carr Kitcat & Aitken also predicts further "sideways *movement" in equities, unless* the Wall Street market shows a more positive sentiment. It believes that a shortage of stock in the market is beginning to be corrected.

## FINANCIAL TIMES STOCK INDICES

| | June 1 | May 29 | May 28 | May 27 | May 26 | Year Ago | 1992 High | 1992 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 89.58 | 89.62† | 89.58 | 89.58 | 89.54 | 83.98 | 89.62 (29/5) | 85.11 (1/4) | 127.40 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 105.73 | 105.62 | 105.53 | 105.48 | 105.43 | 93.49 | 105.73 (1/6) | 97.15 (2/1) | 105.73 (1/6/92) | 50.53 (3/1/75) |
| Ordinary Share● | 2104.7 | 2114.1 | 2109.2 | 2120.4 | 2133.4 | 1968.8 | 2149.7 (22/5) | 1851.4 (3/4) | 2149.7 (22/5/92) | 49.4 (26/6/40) |
| Gold Mines | 106.8 | 108.3 | 110.0 | 110.3 | 109.9 | 181.0 | 180.6 (10/1) | 105.8 (1/6) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2697.6 | 2707.6 | 2694.2 | 2698.6 | 2704.6 | 2515.8 | 2737.8 (11/5) | 2382.7 (3/4) | 2737.8 (11/5/92) | 986.9 (23/7/84) |
| FT-SE Eurotrack 200 | 1241.59 | 1245.26 | 1240.69 | 1242.25 | 1247.63 | 1191.71 | 1248.79 (11/5) | 1120.52 (8/1) | 1248.79 (11/5/92) | 938.62 (16/1/91) |
| ●Ord. Div. Yield | 4.39 | 4.36 | 4.38 | 4.37 | 4.34 | 4.87 | | | | |
| ●Earning Yld %(full) | 6.43 | 6.39 | 6.42 | 6.43 | 6.39 | 8.50 | | | | |
| ●P/E Ratio(Net)(☆) | 19.48 | 19.58 | 19.50 | 19.45 | 19.59 | 14.56 | | | | |
| SEAQ Bargns 5.00pm | 23,952 | 32,847 | 27,257 | 28,571 | 29,837 | 27,583 | | | | |
| Equity Turnover(£m)† | - | 1238.7 | 1280.6 | 1315.3 | 879.7 | 665.83 | | | | |
| Equity Bargains† | - | 36,578 | 31,573 | 31,787 | 33,683 | 21,427 | | | | |
| Shares Traded (ml)† | - | 532.8 | 487.8 | 557.4 | 380.0 | 299.9 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.07 † Correction

Ordinary Share Index, Hourly changes Day's High 2110.5 Day's Low 2101.8

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2106.1 | 2103.9 | 2109.1 | 2105.7 | 2107.6 | 2109.3 | 2109.6 | 2106.9 | 2104.7 |

FT-SE 100, Hourly changes Day's High 2703.6 Day's Low 2692.7

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2697.7 | 2695.8 | 2702.7 | 2697.4 | 2699.5 | 2701.1 | 2701.3 | 2697.4 | 2696.1 |

FT-SE Eurotrack 200, Hourly changes Day's High 1244.81 Day's Low 1240.45

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1244.55 | 1243.26 | 1241.04 | 1241.97 | 1242.16 | 1242.14 | 1242.71 |

## GILT EDGED ACTIVITY

| Indices* | May 29 | May 28 |
|---|---|---|
| Gilt Edged Bargains | 93.8 | 81.3 |
| 5-Day average | 90.5 | 101.3 |

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

# Heavy activity in Racal

The unwinding of a big stock overhang and some determined buying by at least two of the market's most influential securities houses helped Racal Electronics shares to improve on exceptionally heavy turnover.

Racal ended the session 1½ higher at 63p with turnover reaching 27m shares, the heaviest since the placing of Williams Holdings' near 10 per cent stake in the group on April 29. Electronics specialists said a large stock overhang, of around 7.5m shares, had finally been cleared and the market was now concentrating on Racal's preliminary figures, scheduled for June 10, and details of the demerger of Chubb, Racal's security locks and alarms business.

It was said that after the demerger both companies will emerge as bid targets. County NatWest and S.G. Warburg Securities have both been strong supporters of Racal. County put a demerged valuation of 75p a share on Racal.

## Fisons advance

Speculation of a bidder for part of Fisons plus talk that a big US investment bank was buying stock in the market helped shares in the pharmaceuticals group to rise sharply. Fisons was the biggest percentage gainer in the FT-SE 100 index with a jump of 13 to 363p on turnover of 1.3m shares.

*The share responded to a* Sunday newspaper report suggesting retail chemist Boots might bid for Fisons' consumer healthcare business. Boots, which is expected to announce annual profits of around £365m on Thursday was weak earlier but closed 2 better at 484p. A number of analysts said they anticipated the sale of the consumer division some time this year. One said there were several possible buyers and Boots was one of them although it was "not renowned for paying above the odds".

Firmness in the US and enthusiasm in the UK helped some pharmaceuticals stocks, particularly SmithKline Beecham, which gained 10 to 925.

SmithKline lifted on talk that agency broker James Capel had published a buy recommendation on the stock and realisation that the company's anti-nausea drug, Kytril, was doing well in France. The shares, a third of which are held in the US in the form of American Depositary Receipts, also benefited from a stronger dollar.

Tightly-traded Reckitt & Colman was helped by a technical squeeze with some pointing to an agency cross. The shares picked up 10 to 650p on turnover of 2.7m shares.

Smith & Nephew slipped 3 to 150p reflecting disappointment over an anticipated sale. The group said the proposed sale of *its Solpak generic drugs division* in the US for $19m (£10.5m) to Ivax had fallen through.

USM-listed research group ML Laboratories jumped 60 to 958p. The group is awaiting a product licence for a kidney dialysis substitute, but analysts said the company was not hinting at any imminent news and the leap in the share price was probably prompted by technical reasons. Seventy five per cent of the shares are held by one trust and, consequently, they move sharply on very little volume.

Wellcome was weak as the market reacted to news that US rival Bristol Myers Squibb was seeking expanded use for its anti-aids drugs Videx, a direct competitor to Wellcome's Retrovir. The shares fell 8 to 972p.

Midland Bank, up 4 to 421, was among the front runners in a generally firm banks sector, and easily outpaced the wider market, after news that Hongkong & Shanghai Banking (HSBC), via its broker James Capel, had moved into the market last Friday and purchased a block of 5m Midland shares at 415p. The purchase saw HSBC's stake in Midland increased to 15.225 per cent.

NatWest Bank attracted keen support after a broker's profits upgrading, the shares closing 6 firmer at 358p. Lloyds Bank, given a push by the banks team at Smith New Court, edged up 3 to 439p.

*The Scottish banks moved in* opposite directions, with one broker said to be recommending a switch between the two stocks. Royal Bank of Scotland, increasingly viewed as a takeover candidate, edged ahead to 199p after heavy turnover of 4.7m shares, but Bank of Scotland slipped 2 to 116p.

Vodafone, shaken last week by the relatively low valuations inferred by the merger of Centel and Sprint, two US telecoms groups, continued to suffer from international selling, the shares dipping 10 to 374p on heavy turnover of 6m. Vodafone is scheduled to announce preliminary figures on June 9.

Although restrained by the weakness of the UK and US stock markets, the oil sector continued to attract some good international support as crude oil prices moved up to their best levels for around six months.

BP and Shell eased 1½ and 2 to 272p and 512p respectively albeit in rather thin trading. And the Wytch Farm participants were not harmed by valuations put on the 17.5 per cent holding in the oil field to be auctioned off by Atlantic Richfield (Arco). There were suggestions in the market yesterday that some of the utilities, notably the power generators, could well be interested in acquiring Arco's stake.

Asda remained firm at 33½p with one analyst saying investors were beginning to wake up to the beneficial effects of the flotation of the MFI furniture store chain which is expected to reduce the retailer's heavy debts by at least £75m.

Discount retailer Amber Day rose 6½ to 64p on a turnover of 950,000 shares following rumours of a possible takeover bid for the company.

British Aerospace eased 3 to 350p, as turnover reached 1.3m shares. There was talk in the market that the company will announce 600 redundancies, from its satellite division, today.

Takeover speculation was also heard in Thomas Cowie, whose shares rose 3 to 162p.

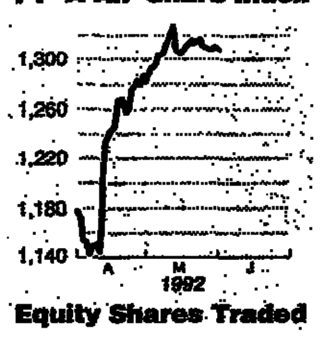
Bid candidate Dowty shed 5 to 173p, to fall below the the 175p cash alternative offered by its predator TI, 3 lighter at 682.

In hotels and leisures, Forte closed 4 lighter at 235p after a Smith New Court profits downgrading. The broker reduced its current-year forecast by £13m to £112m, the following year's by a hefty £28m.

**MARKET REPORTERS:**
**Peter John, Joel Kibazo, Steve Thompson.**

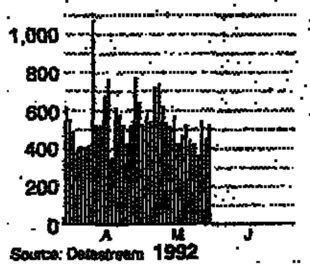
■ Other market statistics, Page 24

### FT-A All-Share Index




### Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business & Overseas turnover




Source: Datastream 1992

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change | | Volume 000's | Closing Price | Day's change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ADT | 35 | 440 | +2 | Comm. Union | 264 | 489 | -2 | Lucas | 2,800 | 143 | +1 | Shell Transport | 2,700 | 512 | -3 |
| ASDA Group | 7,100 | 33½ | +½ | Cookson | 480 | 184 | -2 | MB Caradon | 177 | 295 | | Siebe | 837 | 725 | -5 |
| Abbey National | 1,400 | 300 | +½ | Courtaulds | 871 | 557 | +3½ | MEPC | 861 | 350 | -4 | Slough Ests | 247 | 198 | |
| Albert Fisher | 465 | 77 | | Dalgety | 720 | 428 | +4 | Manweb | 487 | 351 | -6 | Smith (W.H.) A | 335 | 469 | -6 |
| Allied-Lyons | 604 | 659 | -11 | De La Rue | 89 | 804 | | Marks & Spencer | 1,900 | 335 | -1 | Smith & Nephew | 1,400 | 150 | -3 |
| Amstrad | 1,100 | 43 | | Dixons | 804 | 273 | +1 | Midland Bank | 4,000 | 421 | +4 | SmKl Beecham | 1,500 | 925 | +10 |
| Anglian Water | 184 | 427 | -1 | ECC Group | 677 | 555 | -2 | Midlands Elect. | 393 | 309 | +2 | SmKl Beecham Uts. | 152 | 4160 | +22 |
| Argos | 749 | 284 | -6 | Eastern Elect. | 2,100 | 278 | | NFC | 102 | 273 | -2 | Storehouse | 264 | 314 | -1 |
| Argyll Group | 2,800 | 353 | -2 | East Midland Elect. | 2,100 | 295½ | -½ | NatWest Bank | 2,400 | 358 | +6 | Southern Elect. | 735 | 298 | -3 |
| Arjo Wiggins | 555 | 261 | +1 | Enterprise Oil | 389 | 443 | | National Power | 2,900 | 239 | +3 | South Wales Elect. | 691 | 335 | +2 |
| Ass. Brit. Foods | 489 | 445 | +4 | Eurotunnel Units | 86 | 369 | -1 | Next | 491 | 92 | | South West Water | 319 | 411 | -9½ |
| [illegible] | | | | [illegible] | | | | [illegible] | | | | [illegible] | | | |
| BP | 8,900 | 272 | -1½ | Inchcape | 338 | 500 | | Rothmans | 549 | 1095 | -4 | Vodafone | 6,000 | 374 | -10 |
| British Steel | 6,100 | 80 | +½ | Kingfisher | 761 | 558 | -3 | Ryl Bk Scotland | 4,700 | 199 | +1 | Warburg (SG) | 383 | 556 | -3½ |
| British Telecom | 1,800 | 365½ | -4 | Kwik Save | 380 | 620 | | Royal Insurance | 2,400 | 235 | +1 | Wellcome | 300 | 972 | -8 |
| Br. Telecom New | 2,400 | 134 | -4 | Ladbroke | 1,700 | 235 | -4 | Saatchi | 2,400 | 20¼ | -½ | Welsh Water | 1,100 | 475 | |
| Bunzl | 177 | 113 | | Land Securities | 685 | 421 | -5½ | Sainsbury | 3,300 | 471 | +3½ | Wessex Water | 336 | 503 | -4 |
| Burmah Castrol | 132 | 630 | -3 | Laporte | 406 | 632 | +4 | Scottish & New. | 218 | 466 | +2 | Whitbread 'A' | 612 | 489 | -3 |
| Burton | 7,400 | 40½ | -1½ | Legal & General | 474 | 389 | +2 | Scot. Hydro-Elect. | 1,200 | 197 | +½ | Williams Hldgs. | 459 | 338 | -2 |
| Cable & Wire. | 921 | 663 | -12 | Lloyds Abbey | 169 | 420 | +5 | Scottish Power | 2,800 | 165 | +1½ | Willis Corroon | 581 | 263 | +1½ |
| Cadbury Schweppes | 1,500 | 465 | +1 | Lloyds Bank | 2,500 | 439 | +3 | Sears | 2,400 | 93½ | -1 | Wimpey | 25 | 173 | -1 |
| Calor Group | 21 | 189 | | LASMO | 988 | 203 | -3 | Sedgwick | 209 | 220 | +1 | Wolseley | 110 | 436 | -1 |
| Carlton Comms. | 133 | 655 | +1 | London Elect. | 462 | 318 | -3 | Seeboard | 523 | 320 | -4 | Yorkshire Elect. | 1,300 | 374 | +4 |
| Coats Viyella | 822 | 214 | +1 | Lonrho | 443 | 91 | -1½ | Severn Trent Water | 548 | 409 | +1 | Yorkshire Water | 480 | 463 | -1 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

## EQUITY FUTURES AND OPTIONS TRADING

THE START of the new account did little to generate activity on the derivative markets, and both traded options and stock index futures on the whole experienced a quiet session, writes Joel Kibazo.

In stock index futures, the June contract on the FT-SE openned at 2,706 but was quickly sold by independent traders sending it the 2,700 level, where it traded in a tight range of about 15 points for most of the session.

The weakness in the sterling and the gilts markets added to the lack of interest in the futures, as did the poor opening on Wall Street during the afternoon.

However, a burst of activity shortly before the close as James Capel went on a buying spree, lifted June out of the doldrums, and it eventually closed at 2,709, around 7 points above its estimated fair value premium to cash which has dropped to 6 for this account. Volume at 4,021 was very poor.

Turnover in traded options was also poor, with only 19,723 contracts dealt by the close. The FT-SE option traded a meagre 5,575 lots. Midland Bank, in which its bidder HSBC has increased its stake, was the most active stock option trading a total of 2,273 contracts. The June 420 calls were the busiest series. This was followed by Lasmo, in which 1,108 lots were traded.

## NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (108).
BRITISH FUNDS (10) Ex 3pc Gas '90-95, Tr 2½pc IL '01, Do 2½pc '03, Do 2pc '06, Do 2½pc '09, Do 2½pc '11, Do 2½pc '13, Do 2½pc '16, Do 2½pc '20, Do 2½pc '24, [illegible]

## FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

| | Monday June 1 1992 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1992 to date | Fri May 29 Index No. | Thu May 28 Index No. | Wed May 27 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (179) | 898.12 | -0.4 | 6.57 | 5.18 | 19.84 | 15.19 | 902.09 | 906.54 | 913.51 | 822.06 |
| 2 Building Materials (22) | 1051.44 | -0.6 | 5.26 | 5.63 | 26.39 | 19.03 | 1057.92 | 1078.76 | 1087.29 | 1040.76 |
| 3 Contracting, Construction (28) | 1007.60 | -1.0 | 3.50 | 5.99 | 61.16 | 24.60 | 1017.28 | 1029.29 | 1044.34 | 1288.32 |
| 4 Electricals (8) | 2677.78 | -1.4 | 6.44 | 5.75 | 20.19 | 68.82 | 2715.02 | 2728.67 | 2744.50 | 2399.18 |
| 5 Electronics (29) | 1987.36 | -0.5 | 9.02 | 4.28 | 14.06 | 7.29 | 1997.58 | 1984.88 | 1991.16 | 1753.80 |
| 6 Engineering-Aerospace (7) | 388.78 | -0.3 | 9.01 | 6.68 | 14.07 | 11.16 | 390.05 | 390.38 | 393.66 | 425.71 |
| 7 Engineering-General (44) | 561.62 | -0.4 | 7.37 | 4.20 | 16.85 | 8.24 | 564.03 | 563.85 | 566.65 | 439.16 |
| 8 Metals and Metal Forming (8) | 364.10 | +0.3 | 0.90 | 9.48 | - | 2.03 | 363.09 | 361.79 | 375.30 | 446.08 |
| 9 Motors (14) | 394.83 | +0.3 | 6.76 | 5.95 | 19.44 | 10.04 | 393.51 | 395.37 | 396.30 | 327.08 |
| 10 Other Industrial Materials (19) | 1839.42 | -0.4 | 6.74 | 4.50 | 17.89 | 33.79 | 1846.78 | 1854.98 | 1866.99 | 1492.58 |
| 21 CONSUMER GROUP (188) | 1735.51 | -0.1 | 7.02 | 3.31 | 17.46 | 20.48 | 1737.11 | 1725.50 | 1720.45 | 1469.01 |
| 22 Brewers and Distillers (24) | 2243.52 | -0.1 | 7.48 | 3.30 | 16.09 | 26.21 | 2246.40 | 2225.71 | 2207.60 | 1822.46 |
| 25 Food Manufacturing (17) | 1281.71 | +0.1 | 8.29 | 4.10 | 14.93 | 21.18 | 1279.94 | 1277.64 | 1279.87 | 1180.26 |
| 26 Food Retailing (18) | 2941.70 | +0.1 | 8.30 | 3.10 | 15.65 | 34.95 | 2938.00 | 2908.40 | 2866.91 | 2753.97 |
| 27 Health and Household (24) | 4226.60 | +0.1 | 6.53 | 2.51 | 17.46 | 35.91 | 4220.97 | 4158.62 | 4139.41 | 3402.69 |
| 29 Hotels and Leisure (20) | 1401.54 | -0.2 | 5.92 | 4.84 | 21.87 | 23.50 | 1403.77 | 1405.48 | 1419.15 | 1290.08 |
| 30 Media (25) | 1653.51 | -0.3 | 5.79 | 3.33 | 21.45 | 18.30 | 1657.76 | 1649.05 | 1648.62 | 1421.31 |
| 31 Packaging, Paper & Printing (17) | 849.26 | -0.1 | 6.05 | 3.89 | 19.95 | 11.84 | 850.42 | 843.76 | 846.78 | 682.52 |
| 34 Stores (33) | 1102.87 | -0.6 | 6.87 | 3.33 | 19.28 | 12.26 | 1110.08 | 1114.81 | 1117.01 | 914.02 |
| 35 Textiles (10) | 738.76 | -0.1 | 6.22 | 4.21 | 20.27 | 12.44 | 739.50 | 744.76 | 748.80 | 530.46 |
| 40 OTHER GROUPS (116) | 1332.14 | -0.7 | 9.18 | 4.89 | 13.65 | 17.76 | 1341.30 | 1335.28 | 1337.36 | 1243.03 |
| 41 Business Services (17) | 1493.07 | +0.2 | 6.54 | 4.26 | 19.26 | 15.14 | 1489.82 | 1487.68 | 1487.22 | 1209.93 |
| 42 Chemicals (22) | 1558.32 | -0.7 | 6.85 | 4.68 | 17.90 | 31.75 | 1568.68 | 1569.46 | 1572.02 | 1399.51 |
| 43 Conglomerates (11) | 1419.71 | -1.1 | 9.10 | 6.69 | 13.72 | 23.62 | 1435.79 | 1420.97 | 1417.39 | 1507.49 |
| 44 Transport (14) | 2681.17 | -0.8 | 6.93 | 4.32 | 17.64 | 40.88 | 2704.01 | 2697.61 | 2729.78 | 2188.02 |
| 45 Electricity (16) | 1322.84 | +0.4 | 13.58 | 4.98 | 9.49 | 17.21 | 1317.86 | 1311.55 | 1305.22 | 1247.03 |
| 46 Telephone Networks (4) | 1462.95 | -1.5 | 10.48 | 4.45 | 12.46 | 16.02 | 1484.58 | 1476.19 | 1495.37 | 1487.18 |
| 47 Water (10) | 2883.57 | -1.0 | 14.63 | 5.60 | 7.56 | 19.52 | 2913.08 | 2884.75 | 2884.85 | 2457.72 |
| 48 Miscellaneous (22) | 2141.87 | ........ | 5.51 | 4.60 | 23.98 | 22.54 | 2142.05 | 2136.52 | 2102.87 | 1889.35 |
| 49 INDUSTRIAL GROUP (483) | 1399.70 | -0.3 | 7.62 | 4.16 | 16.39 | 18.51 | 1404.52 | 1399.16 | 1399.83 | 1240.20 |
| 51 Oil & Gas (17) | 2175.60 | -0.6 | 6.97 | 6.53 | 18.85 | 63.69 | 2189.69 | 2192.69 | 2217.38 | 2407.28 |
| 59 500 SHARE INDEX (500) | 1473.17 | -0.4 | 7.55 | 4.40 | 16.62 | 21.93 | 1478.70 | 1473.84 | 1476.21 | 1339.31 |
| 61 FINANCIAL GROUP (86) | 779.56 | -0.1 | - | 5.83 | - | 19.04 | 780.32 | 777.95 | 783.83 | 797.77 |
| 62 Banks (9) | 998.69 | +0.4 | 4.83 | 5.47 | 32.75 | 24.58 | 994.38 | 984.72 | 992.76 | 903.34 |
| 65 Insurance (Life) (6) | 1531.68 | ........ | - | 5.81 | - | 44.26 | 1532.39 | 1545.53 | 1548.92 | 1476.77 |
| 66 Insurance (Composite) (7) | 531.96 | +0.2 | - | 6.54 | - | 13.46 | 530.87 | 535.01 | 543.81 | 666.75 |
| 67 Insurance (Brokers) (10) | 994.77 | -0.1 | 7.84 | 6.74 | 16.77 | 25.92 | 995.96 | 1000.18 | 999.60 | 1088.87 |
| 68 Merchant Banks (7) | 513.45 | -0.7 | - | 4.15 | - | 8.56 | 517.28 | 513.52 | 517.92 | 420.38 |
| 69 Property (32) | 706.14 | -2.1 | 8.26 | 6.53 | 16.30 | 16.55 | 721.10 | 718.06 | 720.41 | 935.56 |
| 70 Other Financial (15) | 267.16 | -0.7 | 6.81 | 6.51 | 19.91 | 4.34 | 268.92 | 269.11 | 271.17 | 280.60 |
| 71 Investment Trusts (69) | 1250.77 | -0.5 | - | 3.59 | - | 16.78 | 1256.56 | 1257.80 | 1259.62 | 1212.78 |
| 99 ALL-SHARE INDEX (655) | 1307.28 | -0.3 | - | 4.55 | - | 20.88 | 1311.79 | 1307.66 | 1310.67 | 1208.35 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | May 29 | May 28 | May 27 | May 26 | May 22 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2697.6 | -10.0 | 2703.6 | 2692.7 | 2707.6 | 2694.2 | 2698.6 | 2704.6 | 2715.0 | 2515.8 |

‡Opening index 2697.7; 9 am 2695.8; 10 am 2702.7; 11 am 2697.4; Noon 2699.5; 1 pm 2701.1; 2 pm 2701.3; 2.30 pm 2698.6; 3 pm 2697.4; 4.10 pm 2696.0; (a) 10.09am (b) 8.47am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323. CONSTITUENT CHANGE: DELETION: Govett Atlantic Investment Trust (71).

## FIXED INTEREST

| PRICE INDICES | Mon Jun 1 | Day's change % | Fri May 29 | Accrued interest | xd adj. 1992 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 Up to 5 years (25) | 123.56 | +0.04 | 123.51 | 2.61 | 4.62 |
| 2 5-15 years (24) | 140.37 | +0.05 | 140.30 | 2.72 | 5.45 |
| 3 Over 15 years (10) | 153.82 | +0.19 | 153.53 | 3.59 | 3.39 |
| 4 Irredeemables (6) | 168.22 | +0.02 | 168.42 | 1.03 | 6.35 |
| 5 All stocks (65) | 137.84 | +0.07 | 137.75 | 2.80 | 5.04 |
| Index-Linked | | | | | |
| 6 Up to 5 years (2) | 172.80 | +0.04 | 172.72 | 0.65 | 1.83 |
| 7 Over 5 years (9) | 154.03 | +0.31 | 153.55 | 1.16 | 1.64 |
| 8 All stocks (11) | 155.43 | +0.27 | 155.01 | 1.08 | 1.65 |
| 9 Debs & Loans (63) | 122.65 | +0.39 | 122.82 | 1.79 | 5.48 |

| AVERAGE GROSS REDEMPTION YIELDS | | Mon Jun 1 | Fri May 29 | Year ago (approx.) |
|---|---|---|---|---|
| British Government | | | | |
| 1 Low | 5 years | 7.91 | 7.98 | 9.27 |
| 2 Coupons | 15 years | 8.80 | 8.81 | 9.89 |
| 3 (0%-7¾%) | 20 years | 8.80 | 8.81 | 10.03 |
| 4 Medium | 5 years | 9.07 | 9.07 | 10.39 |
| 5 Coupons | 15 years | 8.84 | 8.87 | 10.32 |
| 6 (8%-10¾%) | 20 years | 8.81 | 8.84 | 10.25 |
| 7 High | 5 years | 9.26 | 9.27 | 10.56 |
| 8 Coupons | 15 years | 9.02 | 9.01 | 10.49 |
| 9 (11%-) | 20 years | 8.96 | 8.95 | 10.37 |
| 10 Irredeemables | | 9.02 | 9.02 | 10.25 |
| Index-Linked | | | | |
| 11 Inflation rate 5% | Up to 5yrs. | 3.96 | 3.97 | 4.16 |
| 12 Inflation rate 5% | Over 5 yrs. | 4.28 | 4.31 | 4.23 |
| 13 Inflation rate 10% | Up to 5 yrs. | 3.25 | 3.25 | 3.28 |
| 14 Inflation rate 10% | Over 5 yrs. | 4.10 | 4.12 | 4.05 |
| 15 Debs & | 5 years | 10.32 | 10.38 | 11.88 |
| 16 Loans | 15 years | 10.07 | 10.12 | 11.65 |
| 17 | 25 years | 9.98 | 10.03 | 11.45 |

## LONDON SHARE SERVICE

### BRITISH FUNDS

| | Notes | Price £ | + or - | 1992 high | 1992 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | | |
| 3pc 1992 | | 99⅞xd | — | 99⅞ | 97⅞ | 3.01 | – |
| Exch 12¼pc 1992 | | 100⅞ | — | 101¼ | 100⅞ | 12.19 | 9.79 |
| 13½pc 1992 | | 101⅛ | — | 102⅛ | 101⅛ | 13.36 | 9.81 |
| Treas 8¾pc 1993 | | 99¼ | — | 99¼ | 97⅞ | 8.31 | 9.29 |
| 10pc 1993‡‡ | | 100½ | — | 100½ | 99⅞ | 9.95 | |
| 12½pc 1993‡‡ | | 103⅛ | — | 103⅞ | 101⅞ | 12.11 | |
| Funding 6pc 1993‡‡ | | 97 | — | 97 | 95⅛ | 6.19 | |
| Treas 13¾pc 1993‡‡ | | 105⅞ | — | 106⅞ | 104⅝ | 12.98 | |
| 8½pc 1994 | | 99⅛ | — | 99⅛ | 96¼ | 8.58 | |
| 14½pc 1994‡‡ | | 108⅛ | — | 109⅛ | 106⅞ | 13.40 | |
| Exch 13½pc 1994 | | 107⅛ | — | 107⅞ | 105⅛ | 12.59 | |
| Treas 10pc Ln. 1994‡‡ | | 101⅞xd | — | 101⅞ | 98⅞ | 9.85 | |
| Exch 12½pc 1994 | | 106⅞ | — | 106⅞ | 103⅞ | 11.75 | |
| Treas 9pc 1994‡‡ | | 99⅞ | — | 99⅞ | 96⅝ | 9.02 | |
| 12pc 1995 | | 106⅝ | -⅛ | 106⅞ | 103⅝ | 11.28 | |
| Exch 3pc Gas 90-95 | | 91⅛ | +⅛ | 91⅛ | 88¼ | 3.29 | |
| 10¼pc 1995 | | 102⅞ | -⅛ | 102⅞ | 99⅛ | 9.97 | |
| Treas 12¾pc 1995‡‡ | | 110⅛ | -⅛ | 110⅝ | 106⅝ | 11.56 | |
| 14pc 1996 | | 114⅛ | -⅛ | 114⅛ | 110⅞ | 12.27 | |
| 9pc 1992-96‡‡ | | 99⅞ | -⅛ | 100⅛ | 96⅛ | 9.00 | |
| 15¼pc 1996‡‡ | | 119⅛ | -⅛ | 119⅛ | 114⅞ | 12.81 | |
| Exch 13¼pc 1996‡‡ | | 112⅞ | -⅛ | 112⅞ | 108½ | 11.76 | |
| Conversion 10pc 1996 | | 103⅛ | — | 103⅛ | 98⅞ | 9.69 | |
| Treas 13¼pc 1997‡‡ | | 114⅝ | -⅛ | 114⅞ | 110⅛ | 11.58 | |
| Exch 10½pc 1997 | | 105⅛ | -⅛ | 105⅞ | 100⅞ | 9.97 | |
| Five to Fifteen Years | | | | | | | |
| Treas 8¾pc 1997‡‡ | | 98⅞ | -⅛ | 99 | 94 | 8.85 | |
| 8¾pc 1997 | | 85¼ | -⅛ | 85⅞ | 64⅞ | 8.84 | |
| Exch 15pc 1997 | | 123⅞ | — | 123⅞ | 118⅛ | 12.15 | |
| 9¾pc 1998 | | 102⅞ | -⅛ | 103⅛ | 97⅞ | 9.47 | |
| Treas 6¾pc 1995-98‡‡ | | 93 | -⅛ | 93⅛ | 88⅞ | 7.28 | |
| 15½pc '98‡‡ | | 129⅛ | -⅛ | 129⅛ | 123⅛ | 12.00 | |
| Exch 12pc 1998 | | 113⅝ | -⅛ | 113¼ | 107⅞ | 10.58 | |
| Treas 9½pc 1999‡‡ | | 102⅞ | -⅛ | 102⅞ | 97⅛ | 9.24 | |
| Exch 12¼pc 1999 | | 115⅞ | -⅛ | 115⅛ | 109½ | 10.82 | |

### BRITISH FUNDS - Cont.

| | Notes | Price £ | + or - | 1992 high | 1992 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|---|
| Treas 10½pc 1999 | | 107¼ | -⅛ | 107⅞ | 101⅞ | 9.78 | 9.05 |
| Conversion 10¼pc 1999 | | 106⅞ | -⅛ | 106⅛ | 100⅞ | 9.64 | 9.06 |
| 9pc 2000‡‡ | | 100½ | -⅛ | 100⅞ | 94⅝ | 8.96 | 8.90 |
| 9½ 2000 C | | 39⅞ | -⅛ | 40⅛ | 39⅞ | 9.61 | 8.89 |
| Treas 13pc 2000 | | 121 | -⅛ | 121¼ | 114⅞ | 10.74 | 9.26 |
| 10pc 2001 | | 106⅛ | -⅛ | 106¼ | 99⅞ | 9.43 | 8.97 |
| [illegible] | | | | | | | |

### BRITISH FUNDS - Cont.

| Index-Linked | Notes | Price £ | + or - | 1992 high | 1992 low | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|---|
| Treas. 2pc '94 | (102.9) | 126½ | +⅛ | 126½ | 122¼ | 2.68 | 4.00 |
| 2pc '96 | (67.9) | 183½ | +⅛ | 183½ | 176¼ | 3.36 | 3.99 |
| 2½pc '01 | (78.3) | 148 | +⅛ | 148 | 143 | 4.04 | 4.37 |
| 2½pc '03 | (78.8) | 144 | +⅛ | 144 | 138.2 | 4.06 | 4.35 |
| [illegible] | | | | | | | |

### OTHER FIXED INTEREST

[illegible]



[illegible]

LONDON SHARE SERVICE

## AMERICANS

| Notes | Price £ | + or - | 1992 high | low | Mkt Cap £m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs. | 36¼xd | -11/32 | 39 3/16 | 34 | 16,416 | 1.9 |
| ψAllegheny & W. | 301p | -4 | 330p | 225p | 158.4 | 5.6 |
| Amdahl | 902p | -11 | 1159p | 815p | 1,087 | 0.6 |
| Amer Cyanamid | 32½ | -½ | 37 | 31⅞ | 2,977 | 2.9 |
| Amer Express | 12⅞xd | -⅛ | 13⅞ | 10 11/16 | 5,849 | 4.6 |
| Amer T & T | 23⅛xd | -1/16 | 24⅞ | 20⅛ | 30,564 | 3.2 |
| Ameritech | 34 | -½ | 35 13/16 | 32½ | 14,886 | 5.8 |
| BankAmerica | 24⅞xd | -11/32 | 27⅛ | 19 1/16 | 8,582 | 3.0 |
| Bankers NY | 31 9/16xd | -5/16 | 37¼ | 28⅞ | 2,601 | 8.7 |
| Bell Atlantic | 23½ | -½ | 26¾ | 23⅛ | 16,116 | 6.2 |
| BellSouth | 26⅛ | -⅞ | 29⅛ | 25 | 12,715 | 5.9 |
| ψBethlehem Steel | 7⅝xd | — | 9⅝ | 7 | 552.4 | — |
| Bowater | 1244pxd | +26 | 1678p | 1078p | 448.3 | 5.4 |
| CPC h | 23 1/16 | -11/16 | 25⅝ | 22¾ | 3,510 | 2.9 |
| ψCadiz Land Inc. | 249p | — | 342p | 168p | - | — |
| California Engy | 886p | -5 | 833p | 646p | 124.7 | — |
| Campbell Soup | 18 11/16 | +1/16 | 23 1/16 | 17 11/16 | 4,703 | 2.3 |
| Chase Manhattan | 15⅛xd | -⅝ | 16½ | 9⅛ | 2,126 | 4.5 |
| Chrysler | 9⅞xd | — | 11⅛ | 6¼ | 2,886 | 3.4 |
| Citicorp | 10⅛xd | -1/16 | 11 | 5⅞ | 3,566 | — |
| Colgate-Palm | 28⅞xd | +¼ | 28⅞ | 25¼ | 4,595 | 2.1 |
| Cont'l Bank | 904p | -12 | 1036p | 499p | 894.4 | 3.4 |
| Dana | 22½xd | -⅛ | 24½ | 14 3/16 | 925.8 | 4.0 |
| Data General | 455p | -6 | 1004p | 431p | 128.3 | — |
| Dial | 20 3/16xd | +3/16 | 24⅛ | 18⅞ | 818.4 | 3.1 |
| Dun & Brad | 29½ | — | 33½ | 27⅝ | 5,284 | 4.4 |
| Eaton | 44½ | -½ | 46½ | 32½ | 1,916 | 2.8 |
| Echlin | 9 13/16xd | +3/16 | 11 | 7⅜ | 665.8 | 4.0 |
| FPL | 18 13/16xd | -1/16 | 20 | 18⅛ | 3,218 | 7.3 |
| Fluor | 23¾xd | -¼ | 27 | 21 | 1,926 | 0.9 |
| Ford Motor | 24⅛ | -⅛ | 25¾ | 15 | 11,895 | 2.3 |
| Gen Elect | 41 3/16xd | -3/16 | 46⅛ | 40 1/16 | 35,915 | 2.8 |
| φGeneral Host | 472p | +22 | 655p | 380p | — | 4.3 |

## BUILDING MATERIALS - Cont.

## BUSINESS SERVICES

## CHEMICALS

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## CONTRACTING & CONSTRUCTION - Cont.

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## ENGINEERING - AEROSPACE

## ENGINEERING - GENERAL

## ENGINEERING - GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

| Notes | Price | +or - | 1992 high | 1992 low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|
| Scot National Inc | [illegible] | — | 107 | 83½ | 12.4 | — | — |
| Cap | 32 | — | 42 | 12½ | — | 54.7 | 41.5 |
| Stepped Pf | [illegible] | +½ | 147¼ | 128 | 5.8 | — | — |
| Zero Div Pf | 166½ | +1 | 166½ | [illegible] | — | — | — |
| Warrants | 7 | — | [illegible] | 3½ | — | — | — |
| Scot Value fa | 63xd | +½ | 64 | 46 | 3.8 | 65.4 | 0.7 |
| Sec Alliance | 1265 | −6 | 1283 | 1136 | 3.7 | 1392.6 | 9.9 |
| Second Market s | 243 | — | 244 | 222 | 5.5 | 290.0 | 16.1 |
| Sec Tst Scot | 73½ | −½ | 78½ | 63 | 5.9 | 75.6 | 2.8 |
| Select Assets | 97 | — | 102½ | 97 | 1.2 | 133.6 | 27.4 |
| Eq Ind Sert | 123 | — | 123 | 108 | 4.6 | — | — |
| Eq Ind Sert | 123 | — | 123 | 109 | 4.6 | — | — |
| Shires | 248 | +1 | 248 | 195 | 10.1 | 246.5 | 0.6 |
| 11pc Cv Ln '03/04 | £119½ | — | £119½ | £95½ | 9.6 | — | — |
| Siam Select | 78 | — | 91 | 78 | 1.7 | 87.4 | 10.7 |
| Warrants | 15 | — | 21 | 15 | — | — | — |
| Smaller Cos | 84 | — | 95 | 67 | 4.8 | 90.4 | 7.1 |
| Warrants | 19 | — | 28 | 10 | — | — | — |
| Sphere Inc N | 15 | +½ | 28 | 14½ | 27.8 | 23.8 | 39.1 |
| Zero Div Pf | 77 | — | 77¼ | 65¼ | — | — | — |
| Warrants | 0¾ | — | 3½ | 0¾ | — | — | — |
| Stratton | 167xd | +½ | 168 | 147 | 1.4 | 192.5 | 13.3 |
| Summit | 54 | +4 | 54 | 38 | 3.1 | 108.7 | 50.8 |
| TR City of Lon M | 128¼ | −¼ | 127½ | 97½ | 5.8 | 122.6 | −3.0 |
| TR Euro Growth s | 86 | — | 90 | 83 | 1.8 | 100.6 | 14.8 |
| Pfg Sub s | 55 | — | 54 | 50 | 2.7 | — | — |
| TR Far East Inc M | 94 | −1 | 98 | 76 | 6.2 | 104.1 | 9.7 |
| Warrants | 20 | — | 22 | 12 | — | — | — |
| TR High Inc | 109 | — | 110 | 91 | 7.8 | 103.0 | −5.9 |
| Sub g | 30 | — | 35 | 28 | 6.7 | — | — |

## INVESTMENT COMPANIES

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIAL MATERIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

## GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ( ) - 0001 to 1100 hours; ( ) - 1101 to 1400 hours; ( ) - 1401 to 1700 hours; ( ) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Local Authorities Mutual Invest. Tst.*** | | | | |
| 2 Fore Street, London EC2Y 5AQ 071-588 1815 | | | | |
| Property Apr 30 | 189 10 | 192.95 | ---- | 8.21 |
| Equity Apr 30 | 905 90 | 918.60 | ---- | 3.83 |
| * Available only to Local Authorities | | | | |
| **M & G Securities Ltd** | | | | |
| Charibond May 29 | | 106.1 | +0.1 | 10.16 |
| (Accum Units) | | 659.51 | +0.6 | 10.16 |
| NAACIF May 26 | | 43.00xd | ---- | 9.03 |
| **Morgan Grenfell Investment Funds Ltd** | | | | |
| Exempt Funds | | | | |
| UK Equity † May 29 | 140.7 | 150.6 | ---- | 1.79 |
| UK Small Co † May 29 | 567.3 | 620.1 | ---- | 3.23 |
| Fixed Interest † May 29 | 111.1 | 116.9 | ---- | 8.95 |
| US Small Co May 29 | 153.9 | 164.6 | ---- | 0.00 |
| Managed May 29 | 115.7 | 123.6 | ---- | 3.46 |
| Intl Bond May 29 | 120.9 | 127.5 | ---- | 10 07 |
| Japan May 29 | 61.45 | 65.50 | ---- | 4.86 |
| European May 29 | 92.87 | 99 47 | ---- | 1.69 |
| Nth American May 29 | 112.2 | 120.7 | ---- | 1.31 |
| **Murray Johnstone UT Mngmt** | | | | |
| Murray Exempt Funds | | | | |
| American Exempt | 54.14 | 56.31 | -0.02 | 1.68 |
| European Exempt | 53.92 | 56.62 | +0.09 | 2.27 |
| Fixed Int Ex May 27 | 48 91 | 50 12 | ---- | 8.62 |
| Japan Exempt | 37.41 | 38.91xd | -0.21 | 0.72 |
| Managed Ex May 28 | 47.98 | 49.91 | ---- | 3 94 |
| SE Asia Exempt | 82.98 | 87.13 | -1.03 | 2.31 |
| Sm Cos Expt May 27 | 38.63 | 40.57xd | ---- | 3.14 |
| UK Eqty Ex May 27 | 47 07 | 49.43 | ---- | 3.57 |
| **Phillips & Drew Fund Management Ltd** | | | | |
| Small Co's May 7 | 712.80 | 759.15xd | ---- | 4 27 |
| Do Accum | 832.15 | 886.26 | | 4.27 |
| Intl Expt May 28 | 192 77 | 196 90 | ---- | 1 72 |
| UK Index May 7 | 1244 90 | 1260.31xd | ---- | 4.62 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Allied Dunbar Assurance Plc—Contd.** | | | | |
| Gen 4 | | | | |
| Fixed Int Dep Acc | 28 0 | 29.5 | +0.1 | - |
| Equity Acc | 28.4 | 29 9 | - | - |
| Property Acc | 23 0 | 24.3 | - | - |
| Far East Acc | 23 0 | 24.3 | -0 1 | - |
| European Acc | 23 2 | 24.5 | +0.1 | - |
| Managed Acc | 28.2 | 29 7 | ---- | - |
| Overseas Acc | 30.1 | 31 7 | -- | - |
| Gilt Acc | 31.0 | 32.7 | ---- | - |
| Am Equity Acc | 27.6 | 29.1 | -0.1 | - |
| Am Managed Acc | 26.8 | 28.3 | ---- | - |
| Am Property Acc | 21.0 | 22.2 | -0.1 | - |
| High Income Acc | 26 1 | 27.5 | -- | - |
| High Income Ser 2 | 26.1 | 27.5 | --- | - |
| Pension Funds | | | | |
| F I Dep Cap | 370 5 | 390.0 | +0.2 | - |
| F I Dep Acc | 704 1 | 741.2 | +0.5 | - |
| Prop. Cap | 497.4 | 523.6 | -0.2 | - |
| Prop. Acc | 1045 9 | 1101 0 | -- | - |
| Man. Cap | 928.5 | 977 4 | -0.6 | - |
| Man. Acc | 1952.2 | 2055.0 | +3 6 | - |
| Gilt Edged Cap | 390.5 | 411.1 | +0 6 | - |
| Gilt Edg. Acc | 669.5 | 704 8 | +1.1 | - |
| Eq. Cap | 1521.1 | 1601.2 | -0 2 | - |
| Eq. Acc | 2422.2 | 2549.7 | +3.8 | - |
| Am. Eq Cap | 184.2 | 193 9 | +0.8 | - |
| Am. Eq Acc | 246.8 | 259.8 | +1.2 | - |
| Far East Cap | 201 4 | 212 0 | -0.5 | - |
| Far East Acc | 269.8 | 284 0 | -0.6 | - |
| Euro Cap | 32.0 | 33.7 | +0.1 | - |
| Euro Acc | 38.5 | 40 6 | +0 1 | - |
| B S Cap | 435.2 | 457.8 | +0.3 | - |
| B.S Acc | 803.8 | 844 0 | +0.8 | - |
| D.A.F Cap | 334 4 | 334 4 | +0.2 | - |
| D.A.F. Acc | 550.3 | 550.3 | +0 5 | - |
| Mortgage Cap | 201.8 | 212.5 | +0.1 | - |
| Mortgage Acc | 270 5 | 284.8 | +0.3 | - |

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

# FT MANAGED FUNDS SERVICE

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| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Pearl Assurance (Unit Funds) Ltd** | | | | |
| Lynch Wood, Peterborough PE2 6FY 0733 470470 | | | | |
| Property Dist (Gross) | 134.8 | 141.9 | (z) | - |
| Property Acc. (Gross) | 256.9 | 270.4 | (z) | - |
| Equity (Gross) | 929.5 | 978.4 | (z) | - |
| Managed (Gross) | 642.3 | 676.1 | (z) | - |
| Property Acc. (Net) | 122.9 | 129.3 | (z) | - |
| Equity (Net) | 214.5 | 225.8 | (z) | - |
| Managed (Net) | 196.7 | 207.1 | (z) | - |
| International (Net) | 169.2 | 178.1 | (z) | - |
| Gilt & Fixed Interest | 141.2 | 148.7 | (z) | - |
| Money Fund | 139.0 | 146.4 | (z) | - |
| Mixed Fund (Cap) | 122.9 | 129.4 | -0.6 | - |
| Mixed Fund (Acc) | 127.0 | 133.7 | -0.6 | - |
| Adventurous Managed | 96.8 | 101.9 | --- | - |
| Cautious Managed | 95.8 | 100.9 | . | - |
| **Pearl Assurance (Unit Linked Pens) Ltd** | | | | |
| Ret Man (Series 1) | 700.3 | 737.2 | (z) | - |
| Ret Man (Series 2) | 237.5 | 250.0 | (z) | - |
| Ret Cash | 195.5 | 205.8 | (z) | - |
| Pens Mixed Fd (Cap) | 137.6 | 144.9 | -0.6 | - |
| Pens Mixed Fd (Acc) | 142.2 | 149.7 | -0.5 | - |
| Pens Stlg Fd (Cap) | 103.4 | 108.9 | +0.1 | - |
| Pens Stlg Fd (Acc) | 106.8 | 112.5 | +0.2 | - |
| **Pegasus Assurance Ltd** | | | | |
| Broad Quay, Bristol BS1 4DJ 0272 230271 | | | | |
| Life Funds | | | | |
| Managed Aggressive | 105.0 | 110.6 | +0.1 | - |
| Managed Balanced | 102.6 | 108.1 | -0.1 | - |
| Managed Cautious | 113.9 | 119.9 | -0.1 | - |
| Pension Funds | | | | |
| Managed Aggressive | 109.9 | 115.7 | +0.1 | - |
| Managed Balance | 107.6 | 113.3 | -0.1 | - |
| Managed Cautious | 118.6 | 124.9 | -0.1 | - |
| For Pioneer Mutual see Swiss Pioneer | | | | |
| **Premium Life Assurance Co Ltd** | | | | |
| 37-39, Perrymount Road, Haywards Heath 0444 458721 | | | | |
| American | 140.0 | 148.0 | -1.0 | - |
| Building Soc. Fd | 222.0 | 234.0 | - | - |
| Balanced | 288.0 | 304.0 | +1.0 | - |
| European | 213.0 | 225.0 | +1.0 | - |
| GT Managed | 192.0 | 203.0 | . | - |
| Eurlonore Mngd | 128.0 | 135.0 | . | - |
| German | 137.0 | 145.0 | - | - |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Provident Mutual Life Assc. Assn. — Contd.** | | | | |
| Index Linked Gilt Init. | 127.8 | 134.5 | (z) | - |
| Overseas Equity Ord | 273.2 | 287.6 | (z) | - |
| Overseas Equity Init. | 199.9 | 210.4 | (z) | - |
| Property Ord | 220.4 | 232.0 | (z) | - |
| Property Init. | 161.3 | 169.8 | (z) | - |
| Fixed Interest Ord. | 229.9 | 242.0 | (z) | - |
| Fixed Interest Init. | 168.2 | 177.1 | (z) | - |
| Deposit Ord | 186.0 | 195.8 | (z) | - |
| Deposit Init. | 136.1 | 143.3 | (z) | - |
| Pension Funds | | | | |
| Managed Ord. | 479.2 | 504.4 | (z) | - |
| Managed Init. | 350.6 | 369.1 | (z) | - |
| Equity Ord. | 754.9 | 794.6 | (z) | - |
| Equity Init. | 552.3 | 581.4 | (z) | - |
| Pen Ind Lkd Gilt Ord. | 188.6 | 198.5 | (z) | - |
| Pen Ind Lkd Gilt Init. | 144.1 | 151.7 | (z) | - |
| Overseas Equity Ord | 310.7 | 327.1 | (z) | - |
| Overseas Equity Init. | 227.4 | 239.4 | (z) | - |
| Property Ord. | 278.3 | 292.9 | (z) | - |
| Property Init. | 203.6 | 214.3 | (z) | - |
| Fixed Interest Ord. | 292.2 | 307.6 | (z) | - |
| Fixed Interest Init. | 213.8 | 225.1 | (z) | - |
| Deposit Ord | 266.5 | 280.5 | (z) | - |
| Deposit Init. | 195.0 | 205.3 | (z) | - |
| **Prudential Assurance Co** | | | | |
| Holborn Bars, London EC1N 2NH 071-405 9222 | | | | |
| Prufund | | | | |
| Managed May 27 | 270.4 | 281.7 | . | - |
| **Prudential Corporate Pension Funds** | | | | |
| 1 Stephen St, London W1P 2AP 071-548 3261 | | | | |
| Prudential Managed Funds | | | | |
| Discretionary May 27 | £194.37 | 200.46 | --- | - |
| Equity May 27 | £227.10 | 234.90 | --- | - |
| International May 27 | £27.31 | 27.90 | ... | - |
| Intl Bond May 27 | £14.24 | 14.43 | -- | - |
| Fixed Int May 27 | £105.79 | 106.97 | . | - |
| Index Linked May 27 | £76.58 | 77.55 | - | - |
| Property May 27 | £109.67 | 115.71 | | - |
| Cash May 27 | £30.5370 | 30.5370 | .... | - |
| Pru-Linked Retirement Plan | | | | |
| Managed May 26 | 474.7 | 494.5 | -- | - |
| Cash May 26 | 280.5 | 292.2 | - | - |
| Prudential Pensions Investment Account | | | | |
| Pens Mngd Jan 1 | 189.4 | 203.9 | -0.3 | - |
| Pens UK Eq Jan 1 | 341.7 | 368.4 | -0.4 | - |

Scottish Amicable

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Providence Capitol International Ltd — Contd.

J. D. Ward Financial Services Ltd

Rothschild Asset Management — Contd.

Royal Bank of Canada Offshore Fd Mgrs Ltd

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## GUERNSEY (REGULATED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)

## ISLE OF MAN (SIB RECOGNISED)

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## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

## MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar rises on US indicators

THE DOLLAR staged a recovery in late European trading on the foreign exchange markets yesterday following signs of strong US manufacturing growth last month, *writes James Blitz.*

Potential dollar buyers grew confident after the National Association of Purchasing Management's index rose at its fastest pace in almost four years to stand at 56.3 in May from 51.3 the month before. The survey's employment index also jumped to 49.1 from 43.9 in April, its highest level since April 1989. The dollar closed at DM1.6100 in London, after a previous close of DM1.6070.

However, there was still uncertainty in a number of traders' minds about the scope and pace of the US economic recovery. The April figures for personal income and consumption released yesterday were both weaker than expected. These showed a 0.1 per cent rise in personal income in April, and a 0.3 per cent rise in consumption.

According to Mr Neil MacKinnon, chief economist at Yamaichi International in London, yesterday's indicators may effectively add up to an ill omen. "The real danger is the mismatch in output gains and personal consumption," he says. "If the increase in manufacturing output is not matched by personal consumption there will be a build-up of stocks that will lead to a cut in production in the third quarter." Other economists believe that the market needs more time to decide whether to invest in dollars. "The market will look at money supply figures on Thursday and the non-farm payroll on Friday," said Mr Nick Stamenkovic, an economist at DKB International in London. "Until we get signs of a stronger recovery the dollar will remain in narrow ranges."

Yesterday's good figures for business confidence in the US failed to restrain the dollar's losses against the Japanese yen after the Bank of Japan intervened to strengthen its currency for the fourth day running. Analysts reckon that the BoJ has spent $500m in intervention operations in the last four days, as it tries to reduce its huge trade surplus in the run up to the summit of the Group of Seven leading industrial nations in July. In late Asian trading, the BoJ pushed the dollar below Y127, its lowest level for four months. By the end of the European trading session, the dollar stood at Y127.40, after a previous close of Y127.70.

The Danish krone was well underpinned as the latest polls showed that Danes will vote "yes" in today's referendum on European economic and monetary union. The krone remained at the foot of the European Monetary System's grid, but at minus 34 per cent of allowed swing below its central Ecu rate, after Friday's close of minus 37 per cent.

### £ IN NEW YORK

| June 1 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.8250-1.8260 | 1.8280-1.8290 |
| 1 month | 0.91-0.89pm | 0.93-0.91pm |
| 3 months | 2.69-2.66pm | 2.73-2.70pm |
| 12 months | 8.68-8.58pm | 8.85-8.75pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | June 1 | Previous |
|---|---|---|
| 8.30 am | 92.9 | 92.8 |
| 9.00 am | 92.9 | 92.8 |
| 10.00 am | 92.9 | 92.7 |
| 11.00 am | 92.8 | 92.8 |
| Noon | 92.7 | 92.7 |
| 1.00 pm | 92.8 | 92.8 |
| 2.00 pm | 92.8 | 92.8 |
| 3.00 pm | 92.7 | 92.8 |
| 4.00 pm | 92.7 | 92.9 |

### CURRENCY MOVEMENTS

| Jun 1 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 92.7 | -19.0 |
| U.S Dollar | 63.2 | -15.3 |
| Canadian Dollar | 98.8 | -3.1 |
| Austrian Schilling | 109.8 | +12.1 |
| Belgian Franc | 111.3 | -2.1 |
| Danish Krone | 109.5 | +3.5 |
| D-Mark | 118.3 | +24.8 |
| Swiss Franc | 106.0 | +14.1 |
| Dutch Guilder | 114.2 | +16.0 |
| French Franc | 104.6 | -11.6 |
| Lira | 98.3 | -20.2 |
| Yen | 142.6 | +77.4 |
| Peseta | 108.4 | -17.6 |

Morgan Guaranty changes: average 1980-1982 =100. Bank of England Index (Base Average 1985 =100). **Rates are for May 29

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Jun 1 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 178.735 | 170.052 | -4.86 | 6.00 | 80 |
| Spanish Peseta | 133.631 | 128.068 | -4.16 | 5.23 | 71 |
| Belgian Franc | 42.4032 | 42.2914 | -0.26 | 1.12 | 17 |
| Dutch Guilder | 2.31643 | 2.31526 | -0.05 | 0.90 | 6 |
| D-Mark | 2.05586 | 2.05534 | -0.03 | 0.88 | 7 |
| Irish Punt | 0.767417 | 0.768374 | 0.12 | 0.72 | -2 |
| French Franc | 6.89509 | 6.90570 | 0.15 | 0.70 | -4 |
| Sterling | 0.696904 | 0.700991 | 0.53 | 0.32 | -12 |
| Italian Lira | 1538.24 | 1547.97 | 0.63 | 0.22 | -27 |
| Danish Krone | 7.84195 | 7.90865 | 0.85 | 0.00 | -35 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Jun 1 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8215 - 1.8360 | 1.8225 - 1.8235 | 0.91-0.89cpm | 5.92 | 2.70-2.67pm | 5.89 |
| Canada | 2.1950 - 2.2105 | 2.1950 - 2.1960 | 0.75-0.67cpm | 3.88 | 1.44-1.37pm | 2.56 |
| Netherlands | 3.3000 - 3.3125 | 3.3000 - 3.3100 | ¼-parcpm | 0.45 | ½-¼pm | 0.30 |
| Belgium | 60.25 - 60.50 | 60.40 - 60.50 | 5-parcpm | 0.50 | 8-3pm | 0.36 |
| Denmark | 11.2600 - 11.3025 | 11.2875 - 11.2975 | ⅜-⅝oredis | -0.46 | ¼-1dis | -0.20 |
| Ireland | 1.0950 - 1.0995 | 1.0950 - 1.0960 | par-0.04pm | 0.22 | 0.01 -0.08pm | 0.16 |
| Germany | 2.9300 - 2.9400 | 2.9325 - 2.9375 | ¼-parpfpm | 0.26 | ⅛-parpm | 0.09 |
| Portugal | 241.80 - 243.20 | 242.20 - 243.20 | 97-127cdis | -5.54 | 282-339dis | -5.12 |
| Spain | 182.45 - 183.00 | 182.55 - 182.85 | 32-43cdis | -2.46 | 105-122dis | -2.48 |
| Italy | 2206.25 - 2212.00 | 2209.00 - 2210.00 | 3-5lirecis | -2.17 | 12-14dis | -2.35 |
| Norway | 11.4050 - 11.4500 | 11.4125 - 11.4225 | par-¼oredis | -0.39 | ⅛-¾dis | -0.59 |
| France | 9.8375 - 9.8700 | 9.8575 - 9.8675 | par-¼cdis | -0.15 | ¼-½dis | -0.13 |
| Sweden | 10.5400 - 10.5825 | 10.5650 - 10.5750 | ⅝-1¼oredis | -1.06 | 2¾-3⅝dis | -1.21 |
| Japan | 231.75 - 233.00 | 231.75 - 232.75 | 1⅛-⅞ypm | 5.17 | 3⅛-3pm | 5.27 |
| Austria | 20.60 - 20.66 | 20.62 - 20.65 | 1¼-⅛gropm | 0.40 | 3⅛-parpm | 0.30 |
| Switzerland | 2.6575 - 2.6675 | 2.6575 - 2.6675 | ⅛-parcpm | 0.28 | ½-¼pm | 0.47 |
| Ecu | 1.4245 - 1.4300 | 1.4275 - 1.4285 | par-0.05cpm | 0.21 | 0.08-0.18dis | -0.36 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.10-5.05pm . 12 Month 8.85-8.75pm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Jun 1 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.8215 - 1.8360 | 1.8225 - 1.8235 | 0.91-0.89cpm | 5.92 | 2.70-2.67pm | 5.89 |
| Ireland† | 1.6615 - 1.6745 | 1.6620 - 1.6630 | 0.81-0.78cpm | 5.74 | 2.42-2.35pm | 5.74 |
| Canada | 1.2015 - 1.2065 | 1.2040 - 1.2050 | 0.20-0.23cdis | -2.14 | 0.60-0.65dis | -2.08 |
| Netherlands | 1.7950 - 1.8150 | 1.8125 - 1.8135 | 0.84-0.87cdis | -5.66 | 2.56-2.59dis | -5.68 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### CURRENCY RATES

### EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 5⅞-5⅜ per cent; three years 6¼-6⅛ per cent; four years 6⅝-6½ per cent; five years 7⅛-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### OTHER CURRENCIES

| Jun 1 | £ | $ |
|---|---|---|
| Malaysia | 4.6175 - 4.6290 | 2.5370 - 2.5400 |
| Mexico | 5526.60 - 5538.80 | 3114.00 - 3115.00 |
| N.Zealand | 3.4120 - 3.4166 | 1.8660 - 1.8685 |
| Saudi Ar | 6.8525 - 6.9295 | 3.7495 - 3.7505 |
| Singapore | 2.9725 - 2.9765 | 1.6260 - 1.6270 |
| S.Af (Cm) | 5.1755 - 5.1805 | 2.8285 - 2.8305 |
| S.Af (Fn) | 6.4045 - 6.4380 | 3.5025 - 3.5210 |
| Taiwan | 45.45 - 45.65 | 24.85 - 24.95 |
| U.A.E. | 6.7095 - 6.7870 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate £118.95 $65.86

### EXCHANGE CROSS RATES

| | £ | $ | DM | YEN | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| YEN | 4.307 | 7.851 | 12.64 | 1000. | 42.47 | 11.46 | 14.23 | | | |
| F Fr. | 1.014 | 1.849 | 2.976 | 235.4 | 10. | 2.699 | 3.351 | | | |
| S Fr. | 0.376 | 0.685 | 1.103 | 87.23 | 3.705 | 1 | 1.242 | | | |
| N Fl. | 0.303 | 0.552 | 0.888 | 70.26 | 2.984 | 0.805 | 1 | | | |
| Lira | 0.453 | 0.825 | 1.329 | 105.1 | 4.464 | 1.205 | 1.496 | | | |
| C$ | 0.456 | 0.831 | 1.337 | 105.8 | 4.493 | 1.213 | 1.506 | | | |
| B Fr. | 1.654 | 3.016 | 4.855 | 384.1 | 16.31 | 4.404 | 5.467 | | | |
| Pta | 0.547 | 0.998 | 1.606 | 127.1 | 5.398 | 1.457 | 1.809 | | | |
| Ecu | 0.700 | 1.277 | 2.056 | 162.6 | 6.906 | 1.864 | 2.314 | | | |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls September | Calls December | Calls March | Puts September | Puts December | Puts March |
|---|---|---|---|---|---|---|
| 106 | - | - | - | 0.07 | 0.21 | - |
| 107 | - | - | - | 0.15 | 0.38 | - |
| 108 | 1.32 | - | - | 0.36 | 0.65 | - |
| 109 | 0.72 | 1.20 | - | 0.72 | 1.04 | - |
| 110 | 0.35 | 0.77 | - | - | - | - |
| 111 | 0.14 | 0.47 | - | - | - | - |
| Open Int. | 57,804 | 15,184 | - | 44,415 | 18,728 | - |

Estimated volume 9,663 Total Open Interest 136,131

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 10 | Credit Lyonnais | 10 | McDonnell Douglas Bnk | 10 |
| Allied Trust Bank | 10 | Cyprus Popular Bk | 10 | Midland Bank | 10 |
| AIB Bank | 10 | Duncan Lawrie | 10 | Mount Banking | 10 |
| ● Henry Ansbacher | 10 | Equatorial Bank plc | 10 | NatWestminster | 10 |
| B & C Merchant Bank | 10.5 | Exeter Bank Limited | 10.5 | Northern Bank Ltd | 10 |
| Bank of Baroda | 10 | Financial & Gen. Bank | 10 | Nykredit Mortgage Bank | 11 |
| Banco Bilbao Vizcaya | 10 | First National Bank Plc | 14 | Provincial Bank PLC | 14 |
| Bank of Cyprus | 10 | ● Robert Fleming & Co. | 10 | ● Rea Brothers | 10 |
| Bank of Ireland | 10 | Robert Fraser & Ptnrs. | 10.5 | Roxburghe Bank Ltd. | 11.5 |
| Bank of India | 10 | Girobank | 10 | Royal Bk of Scotland | 10 |
| Bank of Scotland | 10 | ● Guinness Mahon | 10 | ● Smith & Williamson Secs. | 10 |
| Banque Belge Ltd | 10 | ● Hambros Bank | 10 | Standard Chartered | 10 |
| Barclays Bank | 10 | Hampshire Trust Plc | 13.5 | TSB | 10 |
| Benchmark Bank | 11 | Heritable & Gen Inv Bnk | 10 | Unibank plc | 10 |
| Brit Bk of Mid East | 10 | ● Hill Samuel | 10 | ● United Bk of Kuwait | 10 |
| ● Brown Shipley | 10 | C. Hoare & Co. | 10 | Unity Trust Bank Plc | 10 |
| CL Bank Nederland | 10 | Hongkong & Shanghai | 10 | Western Trust | 10 |
| Citibank NA | 10 | Julian Hodge Bank | 10 | Westpac Bank Corp. | 10 |
| City Merchants Bank | 10 | ● Leopold Joseph & Sons | 10 | Whiteaway Laidlaw | 10 |
| Clydesdale Bank | 10 | Lloyds Bank | 10 | Yorkshire Bank | 10 |
| Co-operative Bank | 10 | Meghraj Bank Ltd | 10 | | |
| Coutts & Co | 10 | | | | |

● Members of British Merchant Banking & Securities Houses Association.

## MONEY MARKETS

# Short rates softer

SHORT-TERM rates in the sterling cash markets ended slightly softer yesterday after the Bank of England took what appeared to be an accommodating position in its money market operations.

Most of the period rates remained unchanged, with everything from 4-month to 9-month Libor once again ending at 10 per cent, and 1-year Libor at 9 15/16 per cent. But 3-month Libor, a key indicator of where interest rates are moving, ended at 10 1/32 per cent, down 1/16 per cent on Friday's close.

Short term clearing bank certificates of deposit were also slightly softer, with 1-month CDs ending at 9 31/32 per cent from a previous close of 10 1/32 per cent, and 3-month CDs ending at 9⅞ per cent from 9 31/32 per cent.

**UK clearing bank base lending rate**
**10 per cent**
**from May 5, 1992**

The softening of rates was partly due to the small size of the shortage forecast by the Bank of England. At £750m, this was far smaller than those of last week, which amounted to £7.6bn over four days. Dealers said that the Bank of England had also taken an accommodating stance, inviting offers of bills in the early round.

However, the market was extremely slow to remove the shortage, with several dealers putting the blame on a shortage of bills.

As one dealer put it, the market is currently being squeezed between two phenomena. On the one hand, there is the usual slowing down of the economy over the summer, which means that few bills are being offered to the Bank of England. But there are also large shortages to be taken out, mostly due to the large number of gilt issues being offered by the Bank.

As a result, the Bank purchased only £86m of Band-1 Bank bills at 9⅞ per cent in its early operations yesterday. The forecast was later revised to a shortage of around £900m before taking account of the early operations.

The Bank then purchased £75m of Band-1 Treasury bills at 9⅞ per cent, and £10m for resale to the market on 22 June at an interest rate of 9 15/16 per cent.

In the afternoon, the Bank purchased £20m of Band-1 bank bills at 9⅞ per cent. The Bank provided late assistance of around £345m.

The cost of overnight funding jumped to 11-10½ per cent at one stage and closed at 9⅞ per cent.

### FT LONDON INTERBANK FIXING

### MONEY RATES

| June 1 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 9.60-9.70 | 9.60-9.75 | 9.60-9.75 | 9.65-9.75 | 9.65-9.75 | 9.75 |
| Paris | 9¾-9⅞ | 9 13/16-9 15/16 | 9 13/16-9 15/16 | 9 13/16-9 15/16 | 9¾-9⅞ | 9.60 |
| Zurich | 8⅞-9¼ | 9¼-9⅝ | - | 9¼-9⅝ | - | - |
| Amsterdam | 9.31-9.38 | 9.47-9.54 | - | 9.48-9.55 | - | - |
| Tokyo | 4 13/16-4 15/16 | 4 13/16-4 15/16 | - | 4 13/16-4 15/16 | - | - |
| Milan | 12¼-12½ | 12¼-12⅝ | - | 12 7/16-12½ | - | - |
| Brussels | 9⅞-9⅞ | 9½-9⅝ | - | 9½-9⅝ | - | - |
| Dublin | 9⅝-9¾ | 9 15/16-10 1/16 | 9 15/16-10 1/16 | 9 15/16-10 1/16 | 9 15/16-10 1/16 | - |

### LONDON MONEY RATES

| Jun 1 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 11 | 10⅛ | 10 1/16 | 10 1/16 | 10 | 9 15/16 |
| Interbank Bid | 9 | 10 | 9 15/16 | 9 15/16 | 9⅞ | 9 13/16 |
| Sterling CDs | - | - | 10 | 9 15/16 | 9 15/16 | 9 15/16 |
| Local Authority Deps. | 9 15/16 | 9 15/16 | 10 | 9 15/16 | 9 15/16 | 9 15/16 |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 10¼ | 9 15/16 | - | - | - | - |
| Company Deposits | - | - | 10 1/16 | 9 15/16 | 9 15/16 | 9 15/16 |
| Finance House Deposits | - | - | 10⅛ | 10 1/16 | 10 | 9⅞ |
| Treasury Bills (Buy) | - | - | 9¾ | 9 11/16 | 9⅝ | - |
| Bank Bills (Buy) | - | - | 9⅞ | 9½ | 9 13/16 | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs. | - | - | 3.86 | 3.91 | 4.05 | 4.46 |
| SDR Linked Dep. Offer | - | - | 6¼ | 6⅜ | 6⅜ | 6½ |
| SDR Linked Dep. Bid | - | - | 6⅛ | 6¼ | 6¼ | 6⅜ |
| ECU Linked Dep. Offer | - | - | 10 3/16 | 10 3/16 | 10¼ | 10¼ |
| ECU Linked Dep. Bid | - | - | 10 1/16 | 10 1/16 | 10⅛ | 10 |

Treasury Bills (sell); one-month 9⅝ per cent; three months 9⅝ per cent; six months 9⅛ per cent; Bank Bills (sell): one-month 9 13/16 per cent; three months 9 15/16 per cent; Treasury Bills; Average tender rate of discount 9.4278 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29 ,1992 . Agreed rates for period June 24, 1992 to July 225 , 1992, Scheme I: 11.34 p.c., Schemes II & III: 11.35 p.c. Reference rate for period May 1, 1992 to May 29 , 1992, Scheme IV&V: 10.122 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from June 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.





# MONEY MARKET FUNDS

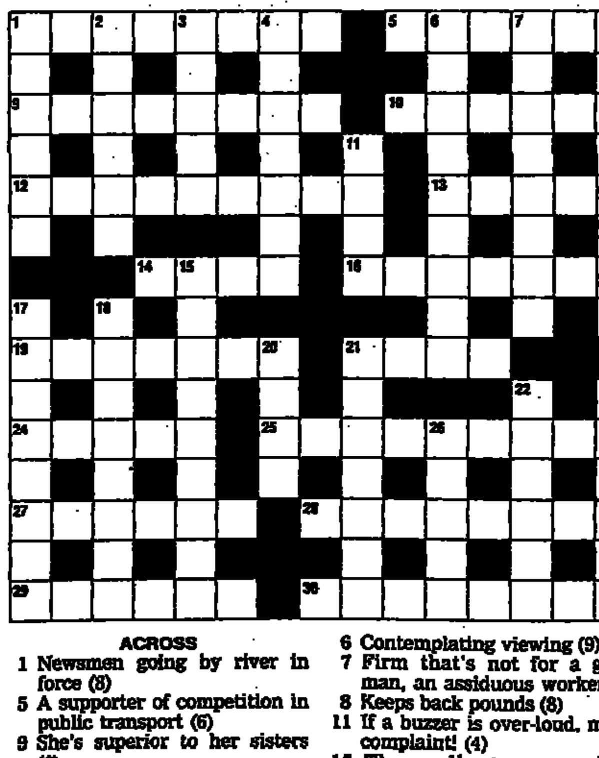
## Money Market Trust Funds

## Money Market Bank Accounts



# CROSSWORD

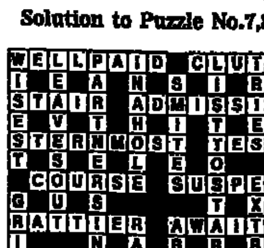
**No.7,862 Set by VIXEN**



ACROSS
1 Newsmen going by river in force (8)
5 A supporter of competition in public transport (6)
9 She's superior to her sisters (8)
10 Negotiators making a point about the common man (6)
12 Leading, so maybe standing by (9)
13 To and fro, round and round it goes (5)
14 Spend lavishly when unhappy (4)
16 A dealer in stolen property receiving tip-top earthenware (7)
19 27 only gets seafood (7)
21 Quiet time for the young attendant (4)
24 The middle distance? (5)
25 An order resulting in military revolution (5,4)
27 A nautical fellow – mean as can be (6)
28 Putting coppers in beforehand for personal protection (8)
29 Sets up secret organisation (6)
30 Housing oriental people in temporary accommodation (8)

DOWN
1 Place money aright and it will grow (6)
2 An inventor having no team back-up (6)
3 Youth has a way with the goody-goody! (5)
4 Wild spree – it makes a break (7)
6 Contemplating viewing (9)
7 Firm that's not for a good man, an assiduous worker (8)
8 Keeps back pounds (8)
11 If a buzzer is over-loud, make complaint! (4)
15 The gallant may show another aspect after 51 (4-5)
17 English ship involved in extensive distribution of aid (8)
18 Bearing for a vehicle (8)
20 A Welshman is among the most troublesome vandals (4)
21 Writing about a motorway contract (7)
22 Pelt with stone, causing a public outcry (6)
23 Crawler joining the currently popular party (6)
26 React badly when there's suspicion (5)

**Solution to Puzzle No.7,861**



# WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable, § dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all.

## CANADA

TORONTO

4:00 pm prices June 1

Quotations in cents unless marked $

[illegible]

Total Sales 11,363,900 shares

MONTREAL

4:00 pm prices June 1

[illegible]

## INDICES

### NEW YORK

| DOW JONES | Jun 1 | May 29 | May 28 | May 27 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 3413.21 | 3396.88 | 3398.43 | 3370.44 | 3413.21 (1/6) | 3172.41 (2/1) | 3413.21 (1/6/92) | 41.22 (2/7/32) |
| Home Bonds | 99.84 | 100.07 | 100.05 | 99.93 | 100.17 (19/5) | 98.41 (20/3) | 100.17 (19/5/92) | 54.99 (1/10/81) |
| Transport | 1376.12 | 1370.14 | 1347.72 | 1359.68 | 1467.68 (20/2) | 1301.57 (8/4) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 212.51 | 213.45 | 214.70 | 213.01 | 225.59 (3/1) | 200.74 (8/4) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 3424.35 (3433.95) Low 3364.99 (3384.17)

| STANDARD AND POOR'S | Jun 1 | May 29 | May 28 | May 27 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 417.30 | 415.35 | 416.74 | 412.17 | 420.77 (15/1) | 394.50 (8/4) | 420.77 (15/1/92) | 4.40 (1/6/32) |
| Industrials | 494.95 | 492.47 | 494.15 | 487.45 | 499.27 (15/1) | 470.91 (8/4) | 499.27 (15/1/92) | 3.62 (21/6/32) |
| Financial | 35.16 | 35.03 | 35.08 | 34.87 | 35.80 (13/5) | 32.40 (8/4) | 35.80 (13/5/92) | 8.64 (1/10/74) |
| NYSE Composite | 229.90 | 228.87 | 229.24 | 227.15 | 231.85 (15/1) | 217.92 (8/4) | 231.85 (15/1/92) | 4.46 (25/4/42) |
| Amex Mkt. Value | 394.84 | 394.69 | 392.30 | 391.85 | 418.99 (12/2) | 380.90 (8/4) | 418.99 (12/2/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 588.37 | 585.31 | 580.49 | 577.35 | 644.92 (12/2) | 560.33 (28/4) | 644.92 (12/2/92) | 54.87 (31/10/72) |

| | May 29 | May 22 | May 15 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.99 | 2.92 | 2.79 | 2.99 |

| | May 27 | May 20 | May 13 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.65 | 2.63 | 2.62 | 2.79 |
| S & P Indl. P/E ratio | 28.77 | 28.92 | 29.19 | 18.89 |

### NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Gen Motors | 3,920,700 | 41⅝ | + 2¼ |
| Chrysler | 2,466,900 | 19¾ | + 1⅜ |
| Ford Motor | 2,450,600 | 46⅞ | + 2 |
| Am Express | 2,195,200 | 23⅞ | + ⅝ |
| Citicorp | 2,191,700 | 19⅝ | + ¼ |
| Merck | 2,119,600 | 51¼ | + 1 |
| Comm Edison | 1,978,800 | 31¼ | - 2 |
| Black Decker | 1,835,200 | 22⅞ | - 1⅛ |
| Contl Corp | 1,739,000 | 28½ | + ⅝ |
| Waste Man | 1,680,300 | 38 | + 2¼ |

### TRADING ACTIVITY

| † Volume (Millions) | Jun 1 | May 29 | May 28 |
|---|---|---|---|
| New York SE | 180.780 | 204.835 | 195.230 |
| Amex | 10.520 | 14.198 | 14.604 |
| NASDAQ | (u) | 188.630 | 153.200 |
| NYSE | | | |
| Issues Traded | 2,273 | 2,263 | 2,250 |
| Rises | 957 | 973 | 990 |
| Falls | 764 | 723 | 689 |
| Unchanged | 552 | 567 | 571 |
| New Highs | 58 | 61 | 51 |
| New Lows | 13 | 12 | 26 |

### CANADA

| TORONTO | Jun 1 | May 29 | May 28 | May 27 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3110.82 | 3110.19 | 3097.07 | 3087.21 | 3238.87 (16/1) | 2828.26 (8/4) |
| Composite | 3403.98 | 3387.93 | 3375.34 | 3382.90 | 3666.00 (16/1) | 3318.10 (8/4) |
| MONTREAL Portfolio | 1796.45 | 1784.66 | 1779.43 | 1784.04 | 1937.59 (16/1) | 1727.04 (8/4) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Jun 1 | May 29 | May 28 | May 27 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1674.4 | 1678.3 | 1676.5 | 1665.9 | 1684.50 (22/5) | 1545.30 (9/4) |
| All Mining (1/1/80) | 711.8 | 712.1 | 711.5 | 706.7 | 717.20 (25/2) | 660.30 (2/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 413.29 | 411.38 | (c) | 409.81 | 458.57 (24/2) | 372.24 (2/1) |
| Traded Index (2/1/91) | 990.20 | 987.14 | (c) | 983.58 | 1099.43 (24/2) | 901.64 (2/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1232.57 | (c) | (c) | 1230.80 | 1234.72 (3/3) | 1097.23 (8/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 347.75 | 347.48 | (c) | 341.74 | 365.29 (15/1) | 326.35 (9/4) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 829.2 | 837.7 | (c) | 840.0 | 935.90 (24/2) | 778.30 (9/4) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 548.31 | 547.89 | (c) | 548.35 | 555.93 (12/5) | 475.53 (2/1) |
| CAC 40 (31/12/87) | 2017.40 | 2033.29 | (c) | 2014.09 | 2077.49 (13/5) | 1749.91 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 718.34 | 721.17 | (c) | 718.82 | 725.26 (26/5) | 643.26 (8/1) |
| Commerzbank (1/12/53) | 2026.0 | 2035.8 | (c) | 2025.7 | 2043.80 (25/5) | 1813.80 (8/1) |
| DAX (30/12/87) | 1798.14 | 1803.22 | (c) | 1794.05 | 1811.57 (25/5) | 1578.73 (8/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 6056.80 | 6080.15 | 5988.13 | 6082.70 | 6082.70 (27/5) | 4301.78 (2/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | (c) | 1378.99 | 1381.36 | 1381.80 | 1469.57 (17/1) | 1346.61 (3/4) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 497.98 | 496.60 | 494.62 | 492.65 | 551.59 (6/2) | 472.72 (15/5) |
| MIB General (2/1/92) | 983.0 | 980.0 | 976.0 | 972.0 | 1086.00 (5/2) | 932.00 (15/5) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 18004.11 | 18347.75 | 17931.25 | 17822.56 | 23801.18 (6/1) | 16598.15 (9/4) |
| Tokyo SE (Topix) (4/1/68) | 1360.54 | 1376.32 | 1356.31 | 1352.61 | 1763.43 (6/1) | 1196.19 (9/4) |
| 2nd Section (4/1/68) | 2036.17 | 2037.34 | 2027.38 | 2027.85 | 2459.85 (6/1) | 1910.56 (9/4) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 585.33 | 589.09 | 600.17 | 591.20 | 619.06 (28/2) | 546.63 (14/1) |
| **NETHERLANDS** | | | | | | |
| CBS Td.Rtn.Gen.(End 1983) | 312.6 | 314.4 | (c) | 314.5 | 314.70 (26/5) | 274.00 (8/1) |
| CBS All Shr (End 1983) | 214.0 | 215.1 | (c) | 215.3 | 215.50 (26/5) | 192.40 (8/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 763.65 | 765.55 | (c) | 762.30 | 772.74 (18/5) | 667.88 (25/2) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1387.92 | 1399.45 | 1403.35 | 1421.83 | 1440.91 (26/5) | 1083.01 (17/3) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 404.96 | 408.31 | 408.04 | 402.65 | 416.99 (21/1) | 370.13 (9/4) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1073.0 | 1090.0 | (c) | 1105.0 | 1327.00 (21/1) | 1086.00 (24/4) |
| JSE Industrial (28/9/78) | 4630.0 | 4665.0 | (c) | 4651.0 | 4665.00 (1/6) | 4169.00 (2/1) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 569.19 | 570.93 | 578.63 | 585.23 | 691.48 (8/2) | 569.19 (1/6) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 260.65 | 261.06 | 259.04 | 258.01 | 266.51 (28/2) | 238.93 (2/1) |
| **SWEDEN** | | | | | | |
| Affarsvariden Gen. (1/2/37) | 998.5 | 991.5 | (c) | (u) | 1014.50 (11/5) | 913.70 (2/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 875.1 | 874.6 | (c) | 869.7 | 883.40 (11/5) | 748.50 (8/1) |
| SBC General (1/4/87) | 671.0 | 671.0 | (c) | 668.3 | 682.30 (11/5) | 601.10 (8/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 4456.85 | 4519.27 | 4501.02 | 4541.38 | 5391.63 (30/1) | 4268.17 (11/5) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 698.90 | 688.84 | 704.83 | 715.75 | 832.39 (7/4) | 667.84 (19/5) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 511.0* | 513.7 | 507.3 | 503.9 | 542.10 (7/1) | 467.50 (8/4) |
| Euro Top-100 (26/6/90) | 974.48 | 975.70 | 969.85 | 969.85 | 976.55 (25/5) | 878.31 (2/1) |

**Saturday May 30: Taiwan Weighted Price: 4496.58, Korea Comp Ex. 574.20.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Monday 1 June 1992

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Mining | 6.7m | 478 | +9 | Nippon Express | 3.7m | 704 | +15 |
| Japan Metal | 5.3m | 798 | +21 | Sumitomo Chem | 3.1m | 457 | -9 |
| Chiyoda | 4.6m | 1750 | +30 | Nippon Formula | 2.5m | 603 | +52 |
| Asahi Chem | 4.4m | 688 | +7 | Mitsubishi Kakok | 1.8m | 1150 | +10 |
| Meiji Milk | 4.2m | 913 | +1 | Toray Inds | 1.7m | 630 | -5 |

4:00 pm prices June 1

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1992 High | 1992 Low | Stock | Div. | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅞ | 12¼ | AAR Corp | 0.48 | 3.7 | 15 | 384 | 13 | 12⅞ | 12⅞ | |
| 26 | 20⅝ | A L Labs A | 0.18 | 0.8 | 93 | 497 | 23⅜ | 23⅜ | 23⅜ | −⅛ |
| 68¼ | 56 | AMP Inc | 1.62 | 2.5 | 24 | 1331 | 62 | 60⅞ | 61 | −1⅛ |
| 80¼ | 60⅞ | AMR | | | | 1699482 | 64⅜ | 63 | 64¼ | +1 |
| 2⅛ | 1⅞ | ARX | | | 2 | 10 | 1¾ | 1¾ | 1¾ | |
| 53½ | 40¾ | ASA x | 2.00 | 4.4 | 13 | 421 | 45⅛ | 44¾ | 45 | +⅜ |
| 34⅛ | 29⅜ | Abbott Lab | 0.60 | 1.8 | 25 | 7709 | 33⅞ | d32⅞ | 33⅞ | +⅜ |
| 13⅞ | 12 | Abitibi Pr | 0.42 | 3.2 | 9 | 22 | 13¼ | 13¼ | 13¼ | +⅛ |
| 11⅝ | 10⅛ | ACM Gvt In | 0.96 | 8.7 | | 117 | 11⅛ | 11 | 11 | |
| 10⅜ | 9⅛ | ACM GvOpp | 0.80 | 8.4 | | 177 | 9½ | 9⅜ | 9½ | |
| 9½ | 8½ | ACM Gvt Sp x | 0.80 | 8.9 | | 451 | 9 | 8⅞ | 9 | |
| 11⅛ | 10⅛ | ACM Gvt Se z | 0.98 | 9.0 | | 112 | 10¾ | 10⅝ | 10⅝ | |
| 9⅝ | 8⅝ | ACM Man | 0.95 | 10.0 | | 335 | u9⅝ | 9½ | 9½ | −⅛ |
| 12⅞ | 10⅝ | ACM Managd | 1.06 | 9.2 | | 67 | 11⅜ | 11½ | 11⅜ | +⅛ |
| 11⅞ | 6¼ | Acme Cleve | 0.40 | 5.8 | 23 | 502 | 6⅞ | 6⅝ | 6⅞ | +¼ |
| 6¼ | 4½ | Acme Elect | | | 4 | 90 | 5 | 4⅞ | 5 | +¼ |
| 33¼ | 18⅞ | Acuson | | | 14 | 397 | 22¼ | 21¾ | 22 | |
| 19⅛ | 16⅛ | Adams Expr | 0.48 | 2.6 | 0 | 286 | 18⅞ | 18⅝ | 18⅞ | +⅛ |
| 49½ | 39 | Ad Micro | 3.00 | 7.4 | | 16 | 40½ | 40¼ | 40¼ | −⅛ |
| 21½ | 14⅝ | Ad Micro P | 3.00 | 19.4 | | 63431 | 16⅝ | 15⅞ | 15½ | −¼ |
| 8⅛ | 6 | Advest Grp | 0.16 | 2.4 | 66 | 76 | 6⅞ | 6⅝ | 6⅝ | −⅛ |
| 71⅞ | 66 | Aegon ADR | 1.50 | 2.2 | 6 | 64 | 67⅞ | 67¼ | 67¼ | −⅛ |
| 47 | 38⅛ | Aetna Lf | 2.76 | 6.7 | 7 | 1817 | 42⅞ | 40⅝ | 41 | −1⅛ |
| 12 | 8⅞ | Aftil A | 0.24 | 2.3 | 11 | 217 | 10⅝ | 10⅜ | 10½ | |



Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

## - X - Y - Z -

| 1992 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge |
|---|---|---|---|---|---|---|---|---|---|---|
| 82¼ | 66½ | Xerox x | 3.00 | 4.0 | 18 | 1261 | 76¼ | 74⅛ | 75¼ | +¼ |
| 53½ | 50½ | Xerox4.125 x | | | | z100 | 53 | 53 | 53 | |
| 28½ | 24⅞ | Xtra 1.94 | 1.94 | 7.1 | | 16 | 27⅛ | 27 | 27⅛ | +⅛ |
| 37 | 28½ | Xtra Corp | 0.80 | 2.3 | 12 | 75 | 34½ | 34¼ | 34½ | +¼ |
| 27 | 25¼ | Yankee Egy x | 1.65 | 6.3 | 12 | 10 | u27 | 26¾ | 26⅞ | -½ |
| 1½ | ½ | Zapata | | | 62 | 285 | 1¼ | 1⅛ | 1¼ | +⅛ |
| 11⅛ | 6¾ | ZenithElec | | | | 43144 | 8⅝ | 8¼ | 8⅝ | +⅜ |
| 18⅜ | 14½ | Zenith Nat | 1.00 | 5.6 | 8 | 173 | 18 | 17½ | 18 | +¼ |
| 7⅛ | 6 | Zenix Inc | 0.85 | 12.8 | | 348 | 6⅞ | 6¾ | 6¾ | |
| 13¾ | 11 | Zero Corp | 0.40 | 3.5 | 18 | 234 | 11⅜ | 11⅜ | 11½ | +⅛ |
| 38 | 30½ | Zurn Ind | 0.88 | 2.8 | 33 | 159 | 30⅞ | 30¾ | 30⅞ | +⅛ |
| 14⅛ | 12¾ | Zweig Fund | 1.16 | 9.0 | | 173 | 13 | 12⅞ | 12⅞ | |
| 11 | 9⅞ | Zweig Totl | 1.00 | 9.7 | | 517 | 10½ | 10⅜ | 10⅜ | |

*Price data supplied by Telekurs.*

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4:00 pm prices June 1

# NASDAQ NATIONAL MARKET

4:00 pm prices June 1

## - X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 27 | 1114 | 24¾ | 23½ | 24½ | +½ |
| Xoma Corp | | 12 | 5317 | 21¾ | 19½ | 20¾ | +½ |
| Yellow Fr | 0.94 | 24 | 586 | 29¼ | 28⅞ | 29¼ | +½ |
| York Rsch | | 50 | 1096 | 6⅛ | 5⅞ | 6 | -⅛ |
| ZionsUtah | 1.44 | 10 | 5 | 52¾ | 51½ | 51½ | -¾ |

AMERICA

# Growing optimism lifts Dow Jones to record high

## Wall Street

US STOCK MARKETS turned early weakness on higher bond yields into a record-breaking performance yesterday as the Dow Jones Industrial Average finished above 3,400 for the first time in its history, *writes Patrick Harverson in New York.*

At the close the Dow was up 16.33 at 3,413.21, a near 40-point recovery from its low of the early morning. Among other indices, the more broadly based Standard & Poor's 500 rose 1.93 to 417.25, the Amex composite rose 0.15 to 394.84 and the Nasdaq composite ended 3.21 higher at 588.37. Turnover on the NYSE was 181m shares.

The dominant factor of the morning was bond prices, which fell almost a full point at the long end (pushing the yield back up to nearly 8 per cent in the process) as Treasury investors interpreted a strong May purchasing managers' report as reducing the chances of another interest rate cut by the Federal Reserve.

The selling in the equity markets, however, could not be sustained, and amid growing enthusiasm about the outlook for the economy, share prices advanced across all fronts late in the session.

The car sector led the way higher, with all three of the big car markers rising as investors continued to anticipate a recovery in their fortunes. General Motors rose $1¾ to $41⅞ in turnover of 3.3m shares, Ford added $1⅞ at $46⅞ in 2m shares, and Chrysler advanced $1⅛ to $19¾ as 1.9m shares changed hands.

Chrysler received an additional boost from Salomon Brothers, the Wall Street broking house, which raised its earnings outlook for the group and predicted profits in both the second quarter and the full year 1992. Salomon set a new price target for Chrysler stock of $25 over the next 12 months.

After the opening of trading was delayed because of an imbalance of orders on the sell side, Commonwealth Edison fell $1⅛ to $31¼ in the wake of a warning from the broking house, Kidder Peabody, that the company's current divided rate might be cut.

Citicorp climbed $¾ to $19¾ after Morgan Stanley upgraded the stock from a "hold" to a "buy", citing dramatic strides in cost-cutting, peaking problem real-estate assets in North America and an expected boost to earnings from strong franchises in emerging markets.

Waste Management rose $2¾ to $38 in heavy trading on the news that the Supreme Court had ruled in favour of the group's subsidiary Chemical Waste Management, which had challenged a special fee levied by Alabama on out-of-state hazardous waste.

## Canada

TORONTO Stock prices closed higher in moderate trading. According to preliminary data, the TSE 300 rose 16.05, or 0.47 per cent, to close at 3,403.98. Advancing issues edged declines 276 to 259.

Volume of 22.8m shares was up from Friday's 20.3m, and trading value rose to C$303.3m from C$223.8m.

Eight of 14 stock groups closed higher, led by the transportation group, up 2.2 per cent.

Laidlaw B, the most-heavily weighted stock in the group, rose ⅝ to 12¼. Financial services gained 1.5 per cent and gold was up 1.0 per cent. Industrial products also closed higher.

Magna International A tumbled 1⅛ to 32⅝. The company said it plans to issue 3.2m class A shares at C$32.25 a share.

## SOUTH AFRICA

JOHANNESBURG slipped back as a number of stocks went ex dividend and sentiment was discouraged by the ANC threatening mass action. The industrial index lost 35 to 4,630 while the overall index was down 28 at 3,704. The gold index shed 17 to 1,073.

EUROPE

# Baring expects 'quantum drop' in Swiss inflation

LAST Thursday's Ascension Day holiday seemed, yesterday, to have taken the initiative away from most continental bourses, *writes Our Markets Staff.*

Baring Securities observed that last week's subdued performance from European equity markets followed on from weakness in bond markets, the latter reflecting weakness in US bonds and interest rate prospects, and disappointment with French fiscal policy.

This week, its strategy team expects "another quantum drop" in the headline rate of Swiss inflation, perhaps giving some impetus to a bourse which has been somnolent, if still elevated, in recent days.

STOCKHOLM rode a wavelet of foreign interest, with talk of institutional program trading as the Affärsvärlden General index closed 7.0 higher at 998.5 in turnover up from from SKr349m to SKr642m. However, dealers noted that the sharp jump in volume reflected the fact that many of big investors, including all of the major insurance companies, stayed closed last Friday.

Among prominent winners the base metal miner, Trelleborg, recovered some of last week's losses on disappointing current year prospects to end with the B shares SKr7 higher at SKr130. The June synthetic future on the OMX Swedish share index closed at 746.3, compared with a spot level of 740.18. Some analysts said that equities may be poised to shoot through a resistance level

Other Nordic makers were not so fortunate. COPENHAGEN's 25-share KFX index fell 0.58 to 100.04 ahead of today's Maastrict treaty referendum, reflecting profit-taking in heavyweight stocks like Novo Nordisk, FLS Industries and Carlsberg.

OSLO lagged in spite of slightly firmer prices for Norway's North Sea oil. The all-share index fell 1.56 to 449.53 in turnover of NKr173m. Meanwhile, HELSINKI shed 1 per cent, the Hex index closing 8.5 lower at 892.2 in slow trade. KOP restricted shares fell FM1 to FM11.50 following Friday's first quarter loss of FM527m, up from a deficit of FM95m for the same period of last year.

MILAN's screen trading system was knocked out of commission by heavy rainstorms and lightning overnight; this produced drastic cuts in volume in its 35 stocks which account for about one quarter of bourse turnover, and the rise of 1.38 to 497.98 in the Comit index came in very thin trading. Turnover was estimated at L60bn or less, against figures in the L100bn area last week and over L150bn on Friday, May 22.

Sifa, the state-held controlled financial services company, closed L153 or 13 per cent higher at L1,350 after being delayed from trading once during the session for excessive gains. Consob, the market's regulatory agency, had suspended Sifa from trading on Friday pending details of a plan, approved over the weekend, to merge it with the state engineering group, Finmeccanica SpA.

FRANKFURT was subdued, the DAX index ending 5.08 lower at 1,798.14 after a decline of 2.83 to 718.34 in the FAZ at midsession. Turnover stayed low by recent standards at DM5.1bn, up from DM4.6bn last Friday.

Bulls had the upper hand in a pre-bourse which saw the DAX well above Friday's level in a continuation of that day's gains, but they lost the initiative after both follow-through orders and foreign buyers failed to materialise.

PARIS saw out a dull day in which technical factors were more influential than corporate news. A number of leading shares went ex dividend, which helped to depress the index, and slim turnover of some FFr1.5bn showed that there were few buyers around. The CAC-40 index closed down 15.89 at 2,017.40.

Euro Disney again featured among the day's losers, falling FFr4 to FFr117 following negative press comment over the weekend. Eurotunnel advanced 30 centimes to FFr36.55 after bankers agreed at the end of last week to make new funds available.

Elsewhere, Paribas lost FFr3.40 to FFr408, LVMH roseFFr5 to FFr4,025 and Elf shed FFr3.60 at FFr398.40.

AMSTERDAM was led lower by the weaker dollar which affected stocks with exposure to the US. The CBS Tendency index closed down 0.6 at 130.4 in turnover of Fl 504.6m.

Royal Dutch lost 60 cents to Fl 157.00, Unilever was Fl 2.20 down at Fl 183.10 and Akzo slipped 90 cents to Fl 159.30.

BRUSSELS improved on the first day of trade after a four day holiday. The Bel-20 index finished up 1.76 to 1,232.56 in high turnover of BFr1.4bn.

Tractebel put on BFr300 or 3.6 per cent to BFr8,600 following local press interviews with the chairman over the weekend while Glaverbel, the glass manufacturer, gained BFr90 to BFr3,980 following a positive agm last week.

MADRID was weaker, with news that the current account deficit had narrowed slightly between April and March having little effect on sentiment. The general index closed down 0.41 at 260.65 with turnover estimated at Pta14bn.

Banesto weakened Pta5 to Pta2,895 after it said at its annual meeting at the weekend that it was setting up a Pta6bn loan loss reserve to stabilise profits and that it is to reduce industrial investments. BBV lost Pta25 following its purchase of a 20 per cent stake in General Electric Capital of Puerto Rico for Pta2bn. Acerinox rose Pta610 to Pta7,600.

VIENNA was stronger with sentiment boosted by the successful offer of 5.4m shares in Vienna International Airport. The issue, which was due to last all week, was closed yesterday with trading planned to begin next month. The offer, reducing the state's share to 73 per cent, will raise Sch1.8bn to finance expansion work. The ATX index gained 3.06 to 990.2.

**FT-SE Eurotrack 100 - June 1**

Hourly changes

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | close |
|---|---|---|---|---|---|---|---|
| 1197.50 | 1197.42 | 1195.54 | 1195.67 | 1195.72 | 1195.95 | 1196.86 | 1196.12 |

Day's High 1197.72 Day's Low 1194.96

| May 29 | May 28 | May 27 | May 26 | May 22 |
|---|---|---|---|---|
| 1199.58 | 1195.22† | 1194.56 | 1198.37 | 1197.48 |

Base value 1000 (26/10/90). † Partial.

ASIA PACIFIC

# Nikkei average loses 1.9 per cent on arbitrage selling

## Tokyo

SHARE prices lost ground in light trading and the Nikkei average, which rose initially on the stronger yen, finally declined by 1.9 per cent on arbitrage-related selling, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed down 343.64 at 18,004.11, after a high of 18,502.61 and a low of 18,003.31. The yen's strength and higher bond prices encouraged a rise in the stock futures market, but the Nikkei plunged on arbitrage unwinding in the afternoon.

Volume fell to 180m shares from 240m. Traders said institutions, which believe that the Nikkei will fall to the 17,000 level again, are unwilling to chase share prices up at the higher levels.

Declines led advances by 650 to 303 with 161 unchanged and the Topix index of all first section stocks fell 15.78 to 1,360.54; in London, the ISE/Nikkei 50 index rose 2.04 to 1,077.37.

The Bank of Japan continued its dollar selling intervention in the foreign exchange market, and the US currency closed down Y1.55 against the yen, falling below Y127 for the first time since February.

The strength in the yen boosted hopes of lower interest rates, encouraging buying in the stock futures market. However, market participants, unwilling to hold long positions ahead of next week's June futures expiry unwound positions. Mr Chris Newton at James Capel added that the cash market failed to react to the yen's strength, as currency moves were already discounted into share prices last week.

Bio-technology related, speculative issues rose on short-term dealer trading. Nippon Mining, the most active issue of the day, rose Y9 to Y478 and Meiji Milk Products advanced Y1 to Y913.

Housing companies gained on the rise in April housing starts, the first year-on-year rise in 18 months. Taisei Prefab gained Y30 to Y2,400 and National House Industrial rose Y30 to Y1,690.

Steel companies were hit by poor earnings results and weak forecasts for the current year. The top five steel makers posted double digit declines in pre-tax profits for the past fiscal year, and expect current year pre-tax profits to decline sharply due to weak demand and higher production costs. Nippon Steel fell Y4 to Y299 and NKK dropped Y1 to Y284.

Car companies were also sold on earnings concerns. Nissan Motor, which announced a 47 per cent fall in pre-tax profits for the year ended March, lost Y15 to Y617, and Toyota Motor fell Y10 to Y1,500.

In Osaka, the OSE average lost 45.50 to 20,832.38 in volume of 14.3m shares.

## Roundup

THE fall on Toyko had a negative impact on most of the region yesterday. New Zealand was closed for a public holiday.

HONG KONG saw early gains eroded by selling of blue chips in the afternoon and the Hang Seng index closed 24.15 lower at 6,056.00. Turnover was HK$5.1bn.

Cheung Kong was the most active stock, gaining 50 cents at HK$27.20 while Hutchison Whampoa put on 10 cents to HK$20.00.

SEOUL weakened on selling of bank and securities shares. The composite index shed 5.01 to 569.19 in turnover of Won240.5bn. Shares in Hyundai companies fell to their lower limits.

TAIWAN lost ground in thin trade as sentiment was upset by worries that the central bank may tighten money market liquidity. The weighted index fell 39.73 to 4,456.85 in turnover of T$16.6bn.

KUALA LUMPUR declined in the absence of fresh news. The composite index shed 3.76 to 585.33. Tenaga lost 25 cents to M$8.25 while Malaysian Airline declined 15 cents to M$5.65 after last week's announcement of a rights issue.

AUSTRALIA's All Ordinaries index closed 3.9 lower at 1,674.4 in turnover of A$169.8m.

Banks continued to weaken after recent poor results: Westpac slipped 4 cents to A$3.46 while ANZ lost 8 cents to A$4.17 as investors reacted to its exposure to India's securities market scandal.

BANGKOK improved on reports that an interim prime minister will be appointed soon to oversee constitutional amendments. The SET Index closed up 10.06 at 698.90 in turnover of Bt3.2bn.

MANILA slipped back with the composite index closing down 11.53 to 1,387.92 in combined turnover of 187.3m pesos.

SINGAPORE fell on profit-taking. The Straits Times Industrial index lost 14.17 to 1,510.52 in turnover of S$101m.

BOMBAY recovered from early weakness, amid rumours that more banks face trouble in the current securities scandal, to end mixed on institutional buying. After going as low as 2,928 the BSE index closed only 5 lower at 3,001.

# Referendum poll switch lifts Copenhagen

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1992 | Start of 1992 | Start of 1992 |
| Austria | +1.07 | +1.28 | -19.40 | +8.90 | +5.00 | +2.65 |
| Belgium | +0.51 | +0.42 | +0.18 | +5.24 | +1.79 | -0.49 |
| Denmark | +4.79 | +6.54 | -1.85 | -0.64 | -2.88 | -5.06 |
| Finland | +0.22 | -1.43 | -26.09 | +7.71 | +4.55 | +2.19 |
| France | -0.43 | +0.54 | +12.97 | +15.35 | +13.35 | +10.81 |
| Germany | -0.13 | +2.96 | +1.61 | +12.34 | +8.49 | +6.04 |
| Ireland | -1.77 | -5.59 | -3.79 | -0.88 | -3.42 | -5.59 |
| Italy | +0.41 | -0.52 | -13.92 | +1.28 | -1.62 | -3.83 |
| Netherlands | +1.51 | +0.62 | +8.22 | +12.02 | +8.30 | +5.86 |
| Norway | +0.41 | +1.96 | -14.86 | +10.52 | +7.74 | +5.31 |
| Spain | +0.67 | +5.23 | -5.69 | +6.71 | +5.50 | +3.14 |
| Sweden | -0.93 | +4.74 | -2.10 | +14.45 | +12.17 | +9.66 |
| Switzerland | +0.24 | +2.70 | +12.28 | +15.27 | +9.62 | +7.15 |
| UK | -0.48 | +1.86 | +9.25 | +9.90 | +9.90 | +7.44 |
| EUROPE | -0.07 | +1.85 | +5.48 | +10.50 | +8.66 | +6.22 |
| Australia | -0.22 | +0.41 | +10.16 | +1.15 | +3.16 | +0.84 |
| Hong Kong | +4.32 | +11.81 | +69.25 | +43.75 | +47.72 | +44.40 |
| Japan | +0.52 | +4.32 | -28.34 | -20.32 | -20.25 | -22.03 |
| Malaysia | -0.56 | -1.51 | -12.15 | +1.84 | +12.94 | +10.41 |
| New Zealand | +0.71 | +6.99 | +2.19 | +1.17 | +2.58 | +0.30 |
| Singapore | +5.65 | +5.00 | +3.87 | +4.49 | +6.36 | +3.98 |
| Canada | +0.57 | +0.82 | -4.11 | -3.13 | -4.85 | -6.99 |
| USA | +0.37 | +0.77 | +9.36 | -0.24 | +2.04 | -0.24 |
| Mexico | +1.48 | +0.48 | +70.48 | +20.87 | +20.65 | +17.94 |
| South Africa | +1.34 | +8.61 | +20.31 | +8.83 | +2.29 | -0.01 |
| WORLD INDEX | +0.38 | +2.21 | -3.62 | -3.05 | -2.63 | -4.81 |

† Based on May 29th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

By William Cochrane

Holidays in the UK and Europe took some of the initiative out of equity markets last week, but gentle rises in the US and Japan combined to leave the FT-Actuaries World Index up by 0.4 per cent.

The best gains came from Denmark in Europe, and Singapore and Hong Kong in the Pacific Basin, all with domestic stimuli but all, too, seeing the effect of foreign buying.

Denmark, says Mr Ole Witte of Bikuben, the stockbrokers, moved as polls ahead of today's Danish referendum on the Maastricht treaty on European union switched from a 41:39 ratio of "No" votes at the beginning of the week, through a similar balance in favour in mid-week to a 43:37 "Yes" indication last Saturday.

Going into Europe has always been perceived as a very good thing from an economic point of view, says Mr Witte. He adds that it was mainly blue chips, like Sophus Berendsen, Dansico and Novo which led last week's gains.

Singapore led the week on suggestions of a 0.25 per cent cut in prime rate, says Mr Mike Franklin of Kim Eng Securities. This did not happen but there was a perception that the economy was improving and that, in any case, the market had lagged too far behind Hong Kong.

The rise was not too discriminating. Singapore Airlines climbed on results at the low end of expectations and Keppel, apparently, went ex-rights without seeing the share price adjustment that this would normally bring. "Allegedly," says Mr Franklin, "there were some big program deals going on in the market, set up by big US institutions which could see the US economic recovery coming through to Far East economies."

There were indications, too, of US involvement in Hong Kong, where domestic confidence was lifted by two major deals – Hongkong Land's sale of 9, Ice House Street and Hutchison's privatisation of Cavendish – going through at good prices.

**FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | MONDAY JUNE 1 1992 | | | | | | | | FRIDAY MAY 29 1992 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992 High | 1992 Low | Year ago (approx) |
| Australia (69) | 151.70 | -0.3 | 123.37 | 122.16 | 126.98 | 133.16 | -0.3 | 4.13 | 152.12 | 123.31 | 122.79 | 127.09 | 133.55 | 153.68 | 140.94 | 139.48 |
| Austria (19) | 171.26 | +0.2 | 139.28 | 137.92 | 143.35 | 143.22 | +0.2 | 2.05 | 170.94 | 138.56 | 137.99 | 142.82 | 142.89 | 186.70 | 162.48 | 198.42 |
| Belgium (46) | 143.28 | -0.2 | 116.53 | 115.38 | 119.93 | 117.14 | +0.1 | 5.21 | 143.63 | 116.43 | 115.93 | 120.00 | 117.07 | 146.19 | 135.87 | 132.14 |
| Canada (115) | 127.25 | +0.4 | 103.49 | 102.47 | 106.50 | 110.99 | +0.4 | 3.30 | 126.77 | 102.76 | 102.32 | 105.90 | 110.57 | 142.12 | 125.60 | 141.49 |
| Denmark (35) | 252.02 | -0.6 | 204.96 | 202.96 | 210.95 | 212.34 | -0.4 | 1.73 | 253.64 | 205.60 | 204.74 | 211.91 | 213.28 | 273.94 | 226.81 | 236.89 |
| Finland (15) | 78.90 | -1.0 | 64.17 | 63.54 | 66.04 | 72.01 | -1.3 | 1.96 | 79.73 | 64.63 | 64.36 | 66.61 | 72.93 | 89.80 | 73.64 | 113.10 |
| France (104) | 164.95 | -1.1 | 134.15 | 132.83 | 138.05 | 139.98 | -0.8 | 3.36 | 166.70 | 135.13 | 134.56 | 139.26 | 141.07 | 168.75 | 148.06 | 137.07 |
| Germany (65) | 123.66 | -0.6 | 100.57 | 99.59 | 103.50 | 103.50 | -0.4 | 2.24 | 124.42 | 100.86 | 100.45 | 103.95 | 103.95 | 124.92 | 114.67 | 113.99 |
| Hong Kong (55) | 253.94 | -0.3 | 206.52 | 204.50 | 212.56 | 252.27 | -0.4 | 3.25 | 254.67 | 206.44 | 205.57 | 212.78 | 253.20 | 254.67 | 176.36 | 153.14 |
| Ireland (16) | 158.24 | -0.1 | 128.69 | 127.43 | 132.45 | 134.12 | +0.0 | 4.05 | 158.43 | 128.42 | 127.89 | 132.36 | 134.12 | 173.71 | 151.78 | 152.09 |
| Italy (78) | 72.60 | +0.1 | 59.04 | 58.46 | 60.76 | 65.71 | +0.3 | 3.22 | 72.50 | 58.77 | 58.52 | 60.57 | 65.50 | 80.86 | 68.39 | 82.06 |
| Japan (473) | 104.82 | -1.0 | 85.25 | 84.41 | 87.75 | 84.41 | -1.3 | 1.01 | 105.90 | 85.84 | 85.48 | 88.49 | 85.48 | 140.95 | 88.70 | 138.11 |
| Malaysia (69) | 232.56 | -1.7 | 189.13 | 187.28 | 194.66 | 227.37 | -0.5 | 2.72 | 236.47 | 191.68 | 190.87 | 197.56 | 228.59 | 250.18 | 212.49 | 242.33 |
| Mexico (18) | 1674.84 | +2.1 | 1362.09 | 1348.77 | 1401.90 | 5703.22 | +2.0 | 1.00 | 1640.79 | 1330.03 | 1324.47 | 1370.84 | 5590.86 | 1789.77 | 1376.91 | 1046.04 |
| Netherland (25) | 160.26 | -0.8 | 130.35 | 129.07 | 134.16 | 132.63 | -0.6 | 4.21 | 161.63 | 131.02 | 130.47 | 135.04 | 133.41 | 161.74 | 147.88 | 140.17 |
| New Zealand (14) | 47.10 | +0.0 | 38.31 | 37.94 | 39.43 | 46.71 | +0.0 | 5.48 | 47.12 | 38.19 | 38.04 | 39.37 | 46.71 | 48.52 | 42.01 | 50.67 |
| Norway (23) | 187.59 | -0.4 | 152.56 | 151.07 | 157.02 | 159.46 | -0.3 | 1.59 | 188.29 | 152.63 | 151.99 | 157.31 | 159.98 | 192.96 | 161.26 | 204.88 |
| Singapore (38) | 226.12 | -1.0 | 183.90 | 182.10 | 189.27 | 169.49 | -1.1 | 1.97 | 228.42 | 185.16 | 184.39 | 190.84 | 171.37 | 228.43 | 192.76 | 208.74 |
| South Africa (61) | 243.26 | -2.3 | 197.84 | 195.90 | 203.61 | 186.72 | -0.8 | 2.73 | 248.88 | 201.74 | 200.89 | 207.93 | 188.27 | 263.60 | 203.16 | 218.66 |
| Spain (50) | 160.53 | -0.5 | 130.55 | 129.28 | 134.36 | 122.10 | -0.1 | 4.98 | 161.32 | 130.76 | 130.22 | 134.77 | 122.27 | 161.32 | 146.86 | 160.19 |
| Sweden (27) | 200.28 | +0.8 | 162.88 | 161.30 | 167.65 | 171.89 | +1.1 | 2.58 | 198.63 | 161.01 | 160.34 | 165.95 | 170.10 | 200.28 | 173.09 | 193.78 |
| Switzerland (60) | 107.32 | -0.2 | 87.28 | 86.43 | 89.84 | 97.21 | +0.0 | 2.20 | 107.56 | 87.16 | 86.82 | 89.86 | 97.18 | 107.55 | 95.99 | 94.84 |
| United Kingdom (228) | 197.74 | -0.7 | 160.82 | 159.23 | 165.50 | 160.82 | -0.4 | 4.64 | 199.11 | 161.40 | 160.71 | 166.34 | 161.40 | 200.07 | 165.85 | 170.52 |
| USA (522) | 170.21 | +0.4 | 138.43 | 137.08 | 142.48 | 170.21 | +0.4 | 2.95 | 169.47 | 137.37 | 136.81 | 141.60 | 169.47 | 171.66 | 160.92 | 157.07 |
| Europe (791) | 155.94 | -0.6 | 126.82 | 125.58 | 130.53 | 129.37 | -0.3 | 3.79 | 156.88 | 127.17 | 126.64 | 131.08 | 129.79 | 156.88 | 139.31 | 139.74 |
| Nordic (100) | 187.14 | +0.1 | 152.19 | 150.71 | 156.64 | 153.59 | +0.3 | 2.12 | 187.01 | 151.59 | 150.96 | 156.24 | 153.20 | 188.52 | 169.66 | 184.10 |
| Pacific Basin (718) | 111.24 | -0.9 | 90.46 | 89.58 | 93.11 | 90.69 | -1.1 | 1.37 | 112.29 | 91.02 | 90.65 | 93.82 | 91.72 | 141.97 | 94.40 | 138.38 |
| Euro - Pacific (1509) | 129.34 | -0.8 | 105.19 | 104.15 | 108.25 | 106.68 | -0.7 | 2.53 | 130.35 | 105.66 | 105.21 | 108.90 | 107.48 | 145.21 | 113.80 | 139.27 |
| North America (637) | 167.52 | +0.4 | 136.24 | 134.92 | 140.24 | 166.18 | +0.4 | 2.97 | 166.79 | 135.20 | 134.65 | 139.38 | 165.46 | 169.69 | 158.70 | 156.02 |
| Europe Ex. UK (563) | 131.06 | -0.5 | 106.59 | 105.56 | 109.72 | 111.21 | -0.3 | 3.15 | 131.77 | 106.81 | 106.39 | 110.11 | 111.55 | 131.77 | 121.81 | 120.85 |
| Pacific Ex. Japan (245) | 174.45 | -0.5 | 141.88 | 140.51 | 146.04 | 155.24 | -0.4 | 3.49 | 175.31 | 142.11 | 141.53 | 146.48 | 155.87 | 175.31 | 149.00 | 140.67 |
| World Ex. US (1703) | 131.53 | -0.7 | 106.97 | 105.93 | 110.10 | 109.04 | -0.7 | 2.55 | 132.52 | 107.42 | 106.98 | 110.72 | 109.79 | 146.91 | 116.45 | 140.66 |
| World Ex. UK (1997) | 138.48 | -0.2 | 112.62 | 111.52 | 115.92 | 124.57 | -0.2 | 2.45 | 138.79 | 112.50 | 112.04 | 115.96 | 124.85 | 150.58 | 127.21 | 142.70 |
| World Ex. So. Af. (2164) | 142.93 | -0.2 | 116.24 | 115.11 | 119.65 | 127.41 | -0.2 | 2.71 | 143.29 | 116.15 | 115.67 | 119.72 | 127.71 | 153.06 | 130.04 | 144.70 |
| World Ex. Japan (1752) | 165.35 | +0.0 | 134.47 | 133.17 | 138.43 | 152.98 | +0.1 | 3.27 | 165.40 | 134.07 | 133.52 | 138.21 | 152.82 | 165.40 | 153.20 | 150.24 |
| The World Index (2226) | 143.58 | -0.3 | 116.77 | 115.63 | 120.19 | 127.95 | -0.2 | 2.71 | 143.98 | 116.71 | 116.23 | 120.30 | 128.25 | 153.70 | 130.66 | 145.15 |

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Markets closed June 1: Ireland and New Zealand.

FINANCIAL TIMES SURVEY

# THE EARTH SUMMIT

SECTION III

Tuesday June 2 1992

Few events have captured the world's imagination like the Earth Summit in Rio de Janeiro. But few have also given rise to as many misunderstandings and false hopes, writes **David Lascelles,** Resources Editor

## Vast agenda but thin on action

WILL this summit be the historic moment when planet Earth finally becomes environment-minded? Or will it be just another staged political event, rich in form but bare in substance?

Will it launch a full scale assault on the world's mounting environmental problems, or will it pass without trace?

Judging by the tortuous two-year preparations for the event, the answer will certainly not be the first of these. The run-up has been marked by far more discord than harmony among the dozens of powerful constituencies which are taking part. As a result, the agenda for the two weeks of talks is huge, jumbled and decidedly thin on specific plans of action.

So those people who had hoped or expected Rio to mark something of a watershed in human history may have to brace themselves for disappointment.

On the other hand, the cynics who have denounced Rio as a sham may also come away unsatisfied. There is no question that the event has focused the minds of 140 governments on complex environmental questions, stirring up in the process a lively debate which has sharpened many of the issues. Even if the dozens of world leaders, who plan to attend Rio, disperse on June 14 without a detailed action-plan, it would be most surprising if they do not take with them a sense that the environment has acquired fresh political momentum. And that may be the yardstick by which Rio's success should be measured.

Mr Maurice Strong, the Canadian businessman-turned-UN official who is the chief organiser of the event, stresses that Rio is not the culmination of a movement to save the environment, but it must mark "a credible beginning."

Why have a summit at all?

Rio's history goes back 20 years, to 1972 when the UN first put the environment on the international agenda at the Stockholm conference.

Ten years later, the UN created the World Commission on Environment and Development, chaired by Mrs Gro Harlem Brundtland of Norway, whose 1983 report *Our Common Future* warned that the current patterns of economic growth were unsustainable.

Another ten years on, none of these problems has gone away. The world has become a dirtier, noisier place, parts of the Third World have become poorer, the pressures on dwind-

☐ Continued on page two

## ALSO IN THIS SURVEY



*☐ Editorial production: Michael Wiltshire.*
*☐ Design: Robin Coles.*
*☐ Graphics: Bob Hutchison; illustration, page one: Mathew Bell.*
*☐ Pictures: Glyn Genin, Ashley Ashwood.*

**The summit in Rio, above, has attracted more world leaders than any other event in history. Rio has also exposed deep divisions about the scale of environmental threats and what should be done about them — and critics claim that the world's worst pollution culprits are not taking the summit seriously**

A VITAL THIRD WORLD QUESTION:

# How to protect the environment and still have development?

**Continued from page 1:**

ling natural resources have intensified. New concerns, such as the ozone layer and greenhouse gases, have appeared. But underlying these particular points are two greater ones, both of which suggest that the time is ripe for a concerted, global initiative rather than the national approach which has characterised "green" action so far.

One is the growing awareness that the problems of pollution are international: one country's dirt and smoke spills over into another, and everyone is contributing to the gases and wastes which foul up the planet's atmosphere and seas.

Heightened popular understanding of the science of ecology also means the layman now appreciates the links in the world's natural systems: that the rain forests of Brazil help purify the air over Europe.

The other is the growing influence of the economic theory of sustainable development: the view that to survive, the planet should only consume that which it can replace. A tall order in a world that is steadily sucking its oil wells dry and chopping down its trees, but one with an appealing, if stark imperative.

One of its tenets is that the true cost of exploiting resources, replacing them and disposing of the waste will have to be built into prices if the global economy is to make the necessary adjustment.

But though few people would disagree with this catalogue of problems, Rio has exposed deep divisions in the world about the scale of the threats, which of them are most urgent, and what should be done about them.

For example, the industrial countries who account for 80 per cent of the world's wastes, have proved incapable of putting up the united front they hoped for in Rio.

The fact is that recession has not helped. There is even an anti-green backlash in the US where 20 years of mounting environmental regulation is beginning to be costed in terms of lost jobs and hassle for the consumer.

The result is that there will not, as originally planned, be any binding timetable in Rio to reduce greenhouse gas emissions. Instead, there will only be a promise to produce a plan of action by some future date. The critics have already seized on this as a sign that the world's worst pollution culprits are not taking Rio seriously. But, maybe, as the minimalist school argues, this is better than the alternative which is nothing at all.

Nor can the Third World agree on what it wants from Rio. Are the issues for its members the protection of the natural resources which it possesses in – dwindling – abundance?

Or do they centre on the degradation of the environment and the under-development to which it can usually be traced: the spread of deserts, the water contamination, the ill-health and poverty?

Third World representatives like to remind people that the official title of the Earth Summit is the UN Conference on the Environment and Development, (UNCED). This recognises the closeness of the two topics; it is futile, they say, to talk of cleaning up the planet without first overcoming the damage caused by economic backwardness. And it is pointless, if not immoral, of the industrial countries to demand the protection of the rain forests while ignoring the plight of people who have to cut down trees just to live.

"The whole question is how to protect the environment and have development," says Dr Lim Keng Yaik, Malaysia's minister of primary industries, and one of the more combative spokesmen for the developing world. "We have to find an equation for that."

The Third World's interest in development has provoked the other big clash in Rio, between the rich and poor countries over the place that aid should occupy on the agenda.

Many Third World countries will be attending Rio in the hope of securing fresh commitments or offers of debt relief. But the industrial countries are equally determined to prevent the familiar aid debate being dressed up in a new and fashionable green garb.

Nonetheless, there is clearly a basis for agreement between rich countries who want to preserve the world's living species and poor countries who say they will do it provided they are given the financial and technical means. Mr Michael Heseltine, the UK's former environment secretary, spoke of "a bargain" to be struck when he launched the final preparatory meeting for UNCED in New York in March.

Japan also seems to be gearing itself up to take the initiative – something it is usually reluctant to do on global issues.

Mr Noboru Takeshita, the former prime minister, who has now embraced the environmental cause, says: "Japan can play a bridging role between rich and poor countries because it has itself escaped from poverty and pollution."

The main question is how much money the rich countries will be prepared to give. Despite UNCED's estimates of a requirement for $125bn a year, the actual sum is likely to be less than one tenth of that figure. Again, the critics will give voice, but the minimalists will say it's better than nothing.

The other central question is what happens after the Summit. If Rio is to be the start rather than the finish of the process, the strength of the continuing machinery will be crucial. The participants will sign a Rio Declaration, a kind of environmental 27 Commandments backed up by a bulky Agenda 21 action programme. The Declaration is not binding, so the strength of public opinion will decide how enduring Rio's legacy can be.

Large numbers of people will be disappointed by Rio because it will not address their particular interest. The greatest danger is that it will leave a vacuum into which will rush who knows what.

However, it would be surprising if Rio did not set something in motion and earn a place in the history books, even if its value only becomes apparent in the next century.

THE SUMMIT AGENDA

# Rio is not just one event – but several

APART from the official negotiations involving more than 160 countries, there will be dozens of gatherings in and around Rio of non-governmental groups — the green organisations, business groups, and so on — all striving to influence the outcome.

But the main focus will be on the newly-built Rio Centro conference centre located 20 miles outside Rio. Here, official delegations meet for 12 days to hammer out a series of treaties and agreements, culminating in a grand ceremony involving as many as 60 world leaders, the largest such gathering in history.

The agenda on the Rio negotiating table is a lot less ambitious than first hoped, mainly because of the deep disagreements exposed during the preparations.

For example, a proposed Earth Charter had to be dropped because it tried to do too much. Instead, there will be a watered down **Rio Declaration** – a kind of "Ten Commandments on the Environment," except that it will have 27. This will commit signatories to pursuing sustainable development, and eradicating poverty.

It will also enshrine the principles of "polluter pays," free trade, and environmental protection, and uphold the rights of women, children and indigenous peoples. Another key principle is that countries have sovereign rights to exploit their resources, but an equal responsibility to ensure that their actions do not harm the environment for others.

The Rio Declaration will be backed up by **Agenda 21,** an 800-page action programme which will flesh out the 27 principles. This enormous document will address all the major issues: land, air, water, living things, as well as related matters like education, poverty and managing toxic waste.

Participants will also sign **two international conventions,** or treaties.

The first of these, widely described as the keystone to Rio, will be a **World Climate Convention** to promote measures to reduce the greenhouse gases that threaten to change the world's climate. This does not contain the binding deadlines originally planned, though the developed countries will agree to come up with specific plans aimed at reducing greenhouse gas emissions to their 1990 levels by the year 2000.

The second, a ***Bio-Diversity Convention,*** will aim to protect the richness of the world's plant and animal life, though again critics have claimed that it is not strong enough, and that the wealthier countries should commit more resources.

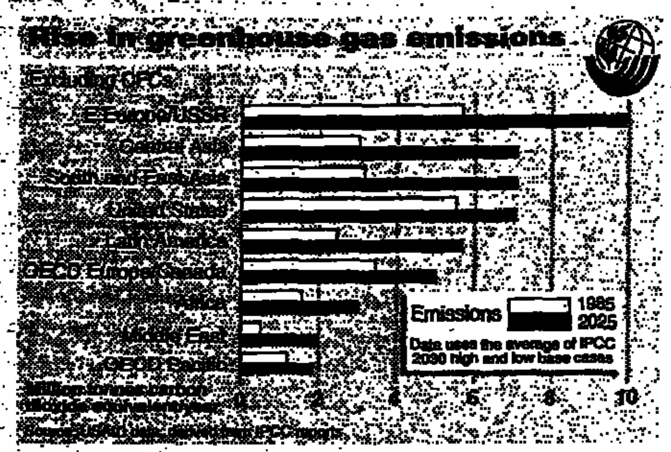
There was to be a third treaty to save the tropical forests, but this proved too controversial because it implied blame on the part of the Third World countries in managing their resources. Instead, there will be a **Statement of Principles on Forests** which will recognise countries' rights to exploit their forest resources, but also stress the need for proper forest management.

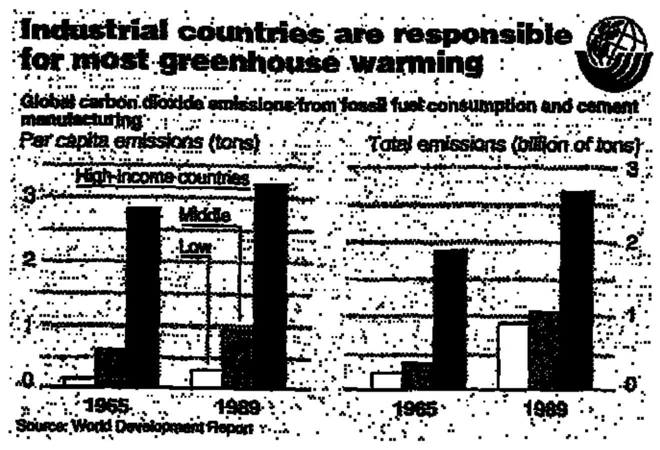
Both the conventions will contain pledges of money by the rich countries to help the poor deal with their environmental problems. But quite how much money is committed will be the subject of much hard bargaining at the Rio conference centre.

**David Lascelles**

POLLUTION OF THE ATMOSPHERE

# A puzzle of fiendish complexity





Forests are the earth's "lungs," absorbing carbon dioxide. Pictured above the desolate result of a fire used to clear forest land in the Amazon region of Brazil.

**Predictions are fraught with uncertainty, says CLIVE COOKSON Science Editor**

THE THREE most serious pollution threats to the world's atmosphere are global warming, destruction of the ozone layer and acid rain.

Each would be a fiendishly complex scientific puzzle in its own right. In fact they interact – making it almost impossible even for the brightest research groups armed with the most powerful supercomputers to disentangle the effect of individual pollutants.

For example, much of the industrialised world is cloaked in a man-made haze of sulphate aerosols – microscopically small droplets and particles that contribute to acid rain. But, according to the latest scientific evidence, this is moderating global warming because the particles reflect some incoming solar radiation back out to space.

Scientists are not even sure about the effect of chlorofluorocarbons on climate change.

CFCs are undisputed environmental villains because they destroy the ozone layer in the upper atmosphere, which protects life on earth from the sun's harmful ultraviolet radiation. They also contribute significantly to global warming by absorbing solar heat (infrared radiation). So the international agreement to phase out CFC production will not only save the ozone layer but also help to fight the greenhouse effect. Right?

Not necessarily. Recent studies show that the warming effect of CFCs over the past decade has been counterbalanced by their ozone destruction, because a thinner ozone layer traps less heat. The scientists concerned emphasise that their findings are tentative, and even if CFCs turn out to have no net impact on global warming, it is still vital to phase them out as soon as possible because life depends on the earth's ozone shield. The example does, however, illustrate the scientific uncertainties about global warming.

There is no doubt that the greenhouse effect is real, in the sense that carbon dioxide and other gases in the atmosphere absorb solar heat which would otherwise be radiated back into space. Human activities have increased the amount of $CO_2$ in the atmosphere by about a quarter since 1850, mainly through burning fossil fuels and to a lesser extent through deforestation.

According to the best estimates, $CO_2$ represents about 55 per cent of total man-made additions to the greenhouse effect. Other significant contributors include CFCs, methane, nitrous oxide and ozone. (Low-level ozone, formed in a photochemical smog as a result of vehicle emissions, is an environmental menace – ozone's proper place is in the upper atmosphere.)

Scientists can show that greenhouse gases are accumulating in the atmosphere. What they cannot prove yet is that global warming is already happening as a result. Although the past decade has been the warmest worldwide since meteorologists began keeping reliable weather records in the 1850s – and the average global temperature has risen by 0.5 deg C over the last century – the current warmth could be due to a natural fluctuation in the climate, rather than the greenhouse effect. We may have to wait another 10 years before the effects of man-made change stand out unequivocally from random climatic variations.

However, several different supercomputer models of the global climate predict a warming of several degrees over the next century, if industrial activities continue to change the composition of the atmosphere at the present rate. The average temperature is likely to rise by somewhere between 1.5 deg C and 4.5 deg C if the atmospheric concentration of $CO_2$ doubles. That would raise sea levels by something between 30cm and 1m.

The best estimate of the UN-sponsored Intergovernmental Panel on Climate Change is that the average global temperature will rise by 1 deg C by the year 2025 and 3 deg C by 2100, if nothing is done to restrain $CO_2$ emissions. Sea levels would rise by 6cm per decade – enough to inundate low-lying countries such as Bangladesh fairly early in the 21st century.

These predictions are fraught with uncertainty, particularly since the supercomputer models, such as the one at the UK Meteorological Office are only now being adjusted to take realistic account of the key role played by clouds and oceans in climate change.

Increasing cloud cover at low levels would reflect more solar radiation back into space and counteract global warming. "The uncertainties are large and all-pervading," comments Professor Keith Browning, a specialist on clouds at the Met Office. "They severely limit the reliability of climate predictions."

And the latest evidence suggests that the oceans may absorb heat from the atmosphere more effectively than climatologists had realised previously. If so, they could delay the full impact of global warming by several decades.

In Japan, Dr Hajime Akimoto, a director of the National Institute for Environmental Studies, says: "The theory of global warming is quite correct. What we cannot predict is the speed at which it will happen."

If the climate change is uncertain on a global scale, the regional variations it will cause in temperature and rainfall are even more speculative. Some meteorologists believe the British Isles could be one of the few parts of the world to escape without any warming, because the exceptional pattern of ocean currents in the North Atlantic would absorb the extra heat. Conversely, continental interiors such as the great grain-growing regions of North America might suffer exceptional warming – with potentially dire consequences for world food supplies.

All the uncertainties about climate change and other consequences of atmospheric pollution do not mean that the world should postpone measures to tackle them, scientists say. Most climatologists support vigorous international action to curb fossil fuel burning; to wait for proof of global warming would be too late.

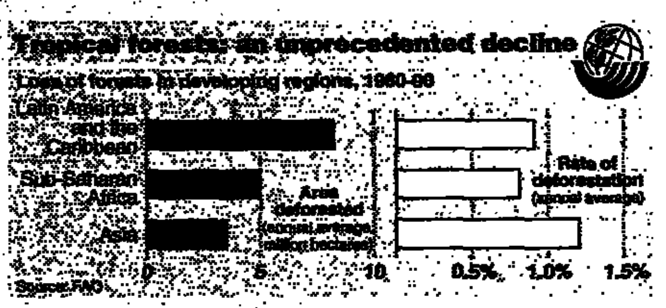
Meanwhile, a few imaginative scientists are dreaming up grand "environmental engineering" projects to repair some of the damage done to the atmosphere.

The best-known proposal is to seed the southern oceans with iron, a nutrient that would stimulate marine organisms to grow more vigorously and absorb more $CO_2$ from the atmosphere. And a group at the University of California is investigating a concept to "close the ozone hole" by injecting thousands of tons of alkanes (simple hydrocarbon gases such as ethane or propane) into the stratosphere over Antarctica for about a month every year.

"There are many uncertainties underlying this idea," the California scientists admit, but they say the time has come to start thinking seriously about large-scale technical fixes for the environment.

LAND AND RAIN FOREST PROTECTION

# Dismay over the lack of agreement




**It is estimated that half the Earth's tropical forests have been destroyed**

A central aim of the Rio conference will be to halt the over-exploitation of the Earth's land surface which has accelerated to meet the needs of industry and growing populations, *writes John Hunt.*

Forests have been felled, mineral extraction has scarred the earth and soil has been poisoned by domestic and toxic waste. Soil erosion and and the spread of desert conditions – "desertification" – have been caused by intensive agriculture and primitive farming and overgrazing.

With the growth of environmental awareness in recent years, tougher national legislation and international agreements have started to get to grips with these problems.

It was hoped that the Rio summit would re-inforce this by drawing up an international set of principles in the Earth Charter and a programme for action for the next century, in Agenda 21.

But progress has been slow in the preparatory meetings for the summit and environmental pressure groups have expressed their dismay at the lack of agreement so far.

They are particularly disappointed at the lack of tough proposals for protecting the rain forest. This is a central issue in the climate change debate as forests act as "sinks" to absorb carbon dioxide, the main greenhouse gas contributing to global warming. They also protect the genetic diversity of plant and animal life and provide a home for indigenous peoples.

It is estimated that half the Earth's original tropical forest has been destroyed over the centuries and that 11.4m hectares are still felled each year.

Intensive logging has been the the main cause of deforestation but has been overtaken by the destruction caused by the "slash and burn" cultivation carried out by landless people. Originally it was intended that Rio should produce a binding international agreement on forest protection but this has been abandoned in the face of disagreements.

It is now hoped to draw up a set of principles on forestry but here again there are disagreements. So far, at least six different versions of the principles have been mulled over and there are still many areas of controversy. The United States, the European Community and other industrialised countries still want Rio to be the start of a process for eventually developing a legally binding convention on forests. But the G77 group of developing countries are cool towards this and see it as a move to strengthen the influence of northern countries over the south.

There are, however, some concrete proposals in Agenda 21. It urges co-operation between countries to provide expertise, funds, research and technology for improved management and sustainable development of the rainforest. Annual funding for this would be in the region of \$2.5bn between 1993 and 2000. But industrialised countries would be reluctant to meet such a huge bill.

Tony Juniper, rainforest campaigner for Friends of the Earth, finds this depressing. He sees it as no advance on existing international schemes which have failed to protect destruction of the rainforest.

The problem of waste and its impact on soil is another area of concern. The Organisation for Economic Co-operation and Development (OECD) says its members (US, Canada, New Zealand, Australia, Japan and Western European countries) produce 9bn tonnes of waste a year. This includes 2.5bn tonnes of industrial waste of which 300m tonnes are hazardous. Much of this is disposed of in landfill sites where it can lead to build up of methane gas and pollution of the water supply. Urgent action is required to control the rapidly growing volume of industrial waste, household garbage and sewage according to the draft for Agenda 21.

It estimates that the amount of municipal waste worldwide will double by the end of the century and double again before the year 2025.

Agenda 21 suggests that industrialised countries should have programmes in place to stabilise or reduce waste and increase recycling by the year 2000. Developing countries should work towards that goal so long as it does not jeopardise their development prospects, it says.

An important topic will be desertification and the famine and disease which it brings. Dry areas covering a third of the Earth's land surface are being degraded by this process, which is caused by lack of rain, overcultivation, deforestation and mismanagement of croplands.

Most publicity has concentrated on the Sahel region of West Africa where drought killed over 50,000 people and millions of heads of cattle in the 1970s. But there are also threatened areas in other parts of Africa, the Middle East, India, Pakistan, China, Australia, the Russian Federation, theUS and Latin America.

Agenda 21 proposes that by the year 2010 environmentally sustainable techniques should be used in agriculture and grazing in dry areas. There should be better management of water resources, protection of vegetation and extensive planning of new forests. It wants a system of contingency crop planning linked to weather forecasts and strategies for importing, storing and transporting food in emergencies.

The question of sustainable agricultural methods throughout the world and the means of phasing out intensive and harmful farming and over-grazing will be considered.

Continued on next page

FRESH WATER SUPPLIES

# A billion people in need

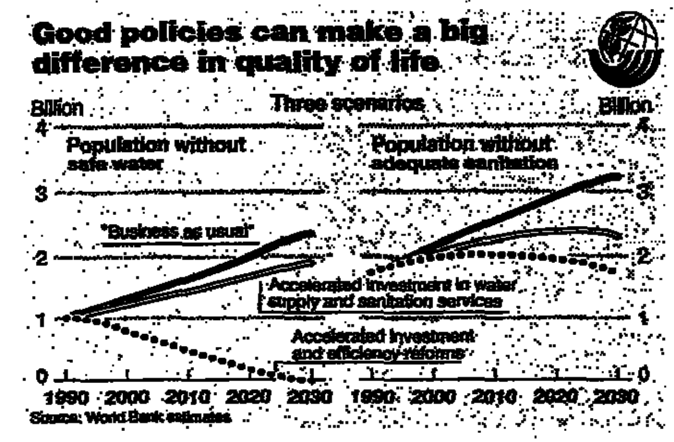
"Safe water and sanitation are the foundations for health, and health is the foundation for global development" — **Dr Hiroshi Nakajima, director general, World Health Organisation**

ONE BILLION people in the world do not have access to safe drinking water; 1.7bn lack basic sanitation. There may be enough fresh water in the world to meet demand but it tends to be in the wrong place, at the wrong time or of the wrong quality.

Fresh water is a limited resource. Less than 1 per cent of the world's supply is actually available for human use, the rest being locked away in glaciers and polar ice caps. Efficient water management is considered the best way to protect both the environment and people's livelihoods.

Water management is a multi-objective long-term approach to utilising the natural resource. It means considering the social and ecological impacts of water projects; involving local communities at one level, international cooperation at another. It means addressing such issues as present and future consumption patterns, waste and pollution, land use and global warming.

Most of the world's fresh water – in rivers, lakes and swamps – is used in agricultural irrigation, but up to 80 per cent of it never reaches crops. Industry uses much less than agriculture, but returns it to its source often polluted and unfit for consumption.




While domestic use accounts for only 6 per cent of total fresh water consumption, lack of adequate sanitary facilities contribute to serious environmental pollution. Most human waste is simply dumped in the nearest body of flowing water, causing water-borne diseases that kill 25,000 people a day in developing countries.

Coastal areas are most at risk from the 20bn tonnes of waste which ends up every year in the sea. Two-thirds of the world's population live within 80 kilometres of the coastline, contributing to and suffering from its environmental degradation. Marine habitats are destroyed, fishery industries threatened, recreation, tourism and general economic development jeopardised.

Man's past and present activities also endanger water resources in less direct fashion. Deforestation and bad land use practices disturb the hydrological cycle, making the soil less able to absorb precipitation and release it over time.

The result is flash flooding and overflooding in delta areas of major rivers like the Ganges and Mekong, with devastating effects on local populations. Seasonal droughts follow.

Coastal areas suffer increasingly serious damage from tropical cyclones, as coral reefs and mangrove swamps are lost to industry. Global warming further increases the risks of coastal cyclone flooding, while endangering entire island territories. Rising sea levels in the future could mean unique island flora and fauna disappear for ever, and with them indigenous people's traditional homelands.

Perhaps the greatest damage done by man to fresh water resources is the building of billion dollar dam projects, like those in Egypt and India. More than 200 large dams are being built annually, and it is estimated that by the end of the decade 60 per cent of all the world's rivers will be dammed.

Such projects cannot be justified on economic grounds and certainly not on environmental grounds, says Phil Williams, honorary president of the International Rivers Network in California. "We regard the most acute threat to the river system to be the construction of the these huge water projects."

**On average, water-borne diseases kill 25,000 people a day *in developing countries***

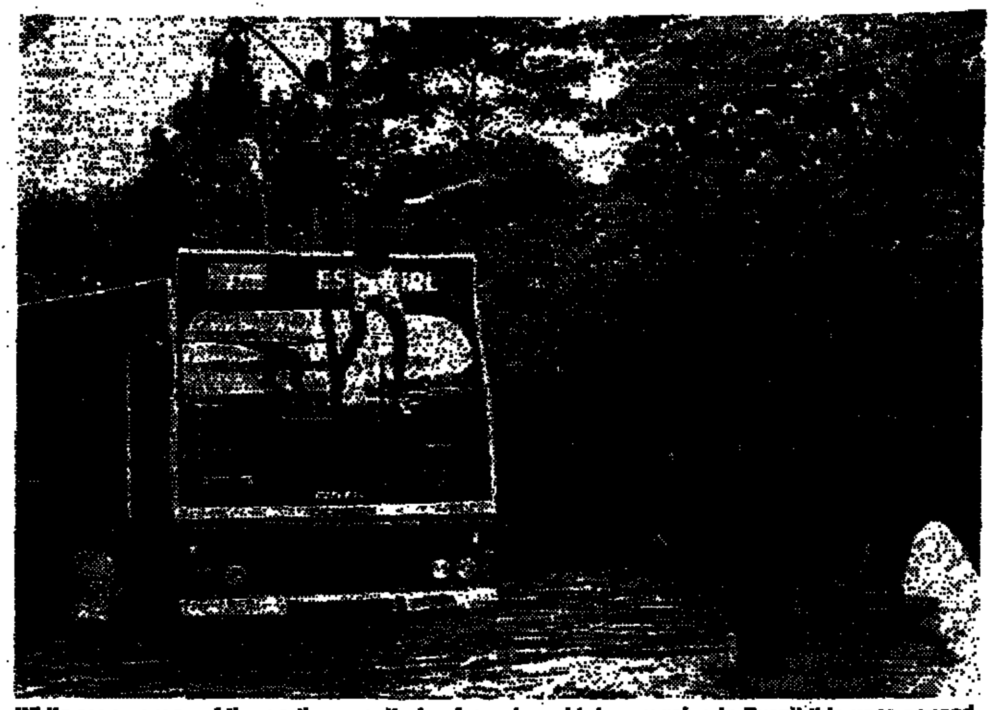
He cites the "disastrous" effects of the building of Egypt's Aswan Dam on the Nile River. Its reservoir is becoming clogged with silt, reducing its useful life span; the river channel is changing; fertility in the sub-plain soils has declined, while salinisation has increased; there is salt water intrusion in the estuary, a major area of food production; the shore line is eroding; fisheries have been destroyed.

IRN would instead like to see local energy and irrigation needs met properly through small scale electricity generation and capital lending projects for individual farmers. Energy efficiency programmes and updated technologies would alone reduce demand many-fold, it says.

Such multi-objective programmes will have to be applied to water management around the world, say environmental and aid agencies. They have to begin at local levels, addressing community needs and priorities, using suitable technologies that are low cost, readily maintained and replaceable.

WaterAid, the UK water charity, works in just this fashion in nine countries in Africa and Asia. David Collett, director, says: "Our message to world leaders is...do not allow the environment and development to become divorced from one another. And do not fall into the trap that the world's problems can only be solved by international action. We must think globally to preserve and improve this planet's environment. But action must come at the local level as well."

**Some billion-dollar dam projects cause great harm to water resources and to local economies**



**While many areas of the earth are suffering from drought, heavy rains in Brazil this year caused widespread flooding which led to the deaths of 23 people. Children, above, are pictured jumping from a stalled bus in a flooded street in a suburb of Rio de Janiero.**

Similar approaches – incorporating cooperation between developed and developing countries – are recommended for achieving the sustainable development of agriculture and marine resources. Where seasonal flooding, cyclones or drought seem inevitable, organisations like Oxfam favour programmes aimed at helping people cope with such disturbances long-term.

The aim of development agencies is that by the year 2000 each person has daily access to at least 40 litres of safe water, and that waste is collected, recycled and/or disposed of in an environmentally sound fashion. In developed countries, not immune from drought, water tariffs could be introduced to reflect the marginal costs of raising water infrastructure standards.

The high seas are seen as a potential model for sustainable resources management. Marine pollution caused by shipping, waste disposal and incineration at sea is a grave problem, but the vastness of the oceans has protected them so far from being seriously polluted.

Environmentalists are looking for a global strategy for managing the high seas - with legally binding agreements - before it is too late.

**Hilary de Boerr**

Loss of species is wiping out a medicine chest of potential cures to serious diseases

# Concern for earth's living wealth

**Dozens of species may be disappearing each day, reports CHRISTINA LAMB**

EVERY DAY "we are losing species we don't even know *exist* and in one of which could lie the cure for diseases, such as AIDS," says Ms Maria de Lourdes, director of the international department of the Brazilian environment ministry.

The realisation that destruction of forests was wiping out whole slices of potentially valuable species has made biodiversity an important issue in recent years and a crucial part of earth summit discussions.

Biodiversity refers to all the species of animals, plants and microorganisms in the world as well as their genetic variety and the ecosystems – water, land or air – in which they live. Known as "the earth's living wealth," it provides an essential supply of food needs and many of our medicines.

Our knowledge of biodiversity is still very incomplete. Around 1.4m species have been listed of which 751,000 are insects, 41,000 vertebrates and 250,000 plants. Biologists estimate that there at least between five to ten million species in existence and maybe as many as 100m. Despite today's concern, biodiversity is continuing to diminish and recent studies suggest that the world will lose between two and seven per cent of its species over the next 25 years. If ten million species exist, this means losing a staggering 20-75 per day.

The Amazon rainforest is the planet's greatest stock of biodiversity. Although the casual visitor may be disappointed not to see flocks of colourful parrots, monkeys swinging from tree to tree, and wild animals jumping out from the bushes, it is home to 20 per cent of all higher plant species and birds and ten per cent of the world's mammals. In one tree alone between 100 and 300 species of butterfly can be found and one hectare of the jungle contains between 100 and 300 species of bird. Popularly thought of as a homogenous forest, in fact it has 12 distinct ecosystems.

The Amazon River holds 20 per cent of the planet's fresh water and 2,000 species of fish (compared to an average 20 species in European rivers).

Many Amazonian species are being lost or are under threat from human activities such as logging, flooding for hydroelectric projects, forest-cutting and burning for cattle pasture, and gold mining, which is choking rivers with sediment and polluting aquasystems with the mercury used for gold extraction. Although ranching is the most destructive activity, Mr Chris Uhl, a biologist from Pennsylvania University says 40 of the 350 timber species currently being harvested by loggers are under threat of extinction.

Green extremists are in favour of complete conservation, arguing that we should not destroy anything because we do not know what is there, and are constantly finding new ways in which biodiversity can contribute to development such as in new foods and medicines.

But Mr Alfredo Homa, a scientist at the Agricultural Research Institute in the Amazonian town of Belem, says: "People say the biggest richness of the Amazon is its biodiversity and thus all activities such as ranching should be stopped but while people have not identified species this makes little sense. It is an untouchable wealth."

Scientists are now hard at work mapping the biodiversity of the Amazon, but our precarious knowledge of species and the difficulties of assigning real values remain a problem.

Mr Marcos Azambuja, Brazil's chief negotiator for the Earth Summit, describes biodiversity as the most complex issue on the summit agenda: "We used to think of the world as divided between useful things, and things that God created for his pleasure. Now we see that *everything* may have a purpose and thus everything must be sacred."

The major difficulty in agreeing a convention on biodiversity is that most of the planet's species are concentrated in poor countries while the technology and knowhow to benefit from them through development of products are in the hands of developed countries. As naturally-occurring species currently have no real value, poor countries have no incentive to conserve them.

In order to maintain their biodiversity, under-developed or developing countries, such as Brazil, are asking for a transfer of technology and funds and suggesting that communities where important plants are found should be given a share of the royalties of the final product.

Mr Azambuja says: "The idea is to introduce a minimum of order into the forest – the jungle should not be treated by the law of the jungle."

Defenders of forest people argue that they should receive royalties because these people are in fact informal environmental scientists who have developed a wealth of knowledge of the medicinal properties of plants over centuries.

But Mr Jose Goldemberg, Brazil's Environment Minister, a nuclear physicist, argues against this: "You might find an important cure in a tree – or you might not. What's important is establishing the link between plants and cures, and for that we need science, an enormous amount of training and equipment – and money.

"Finding the herb is a very small part of process which leads to the final product on sale in the drugstore."

**An African lion at Londolozi in eastern Transvaal: biodiversity refers to all the species of animals, plants and micro-organisms. As the earth's rich biodiversity diminishes, some scientists believe that a species is lost every 30 minutes.** Picture by Glyn Genin.

# Farmers face mounting pressures

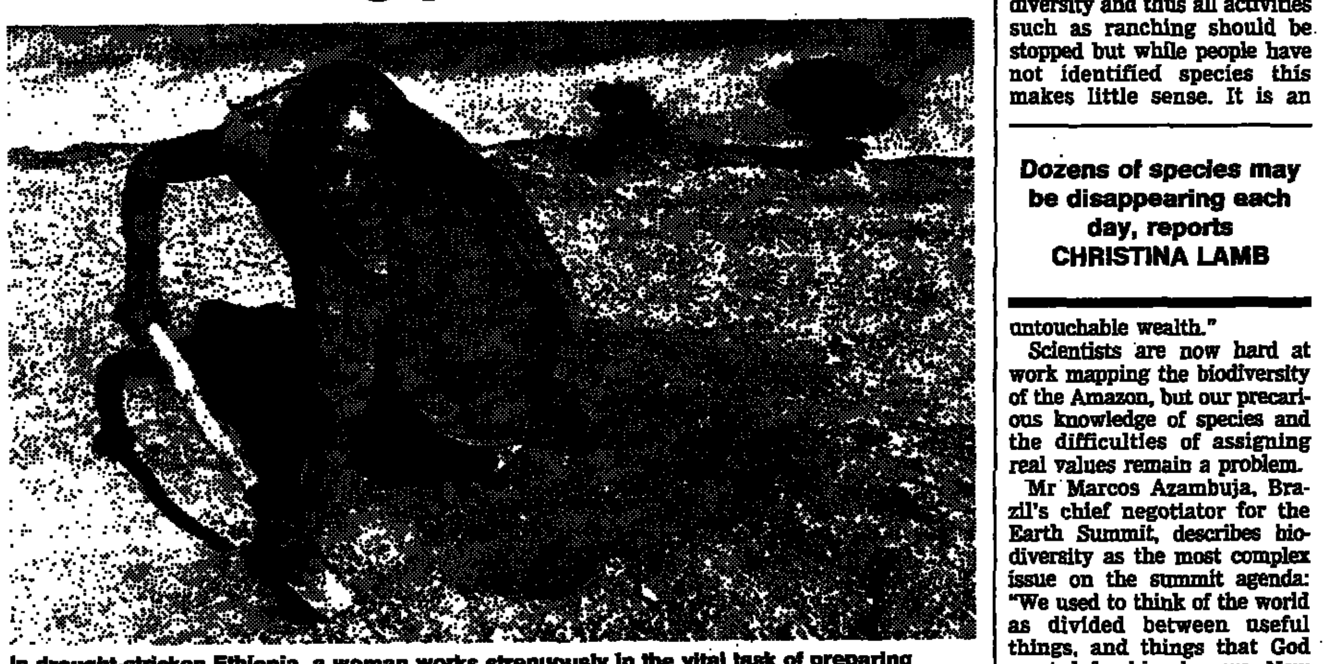
**Continued from previous page:**

Lester Brown, president of the Worldwatch Institute, the Washington-based environmental research organisation, says that in the coming decade the world's farmers face the task of feeding 93m more people every year while millions of tons of top-soil are being eroded annually. He says that either loss of top-soil from cropland will have to be checked by effective conservation or the growth in population will be checked by hunger and starvation.

The Council for the Protection of Rural England wants a commitment from Rio to phase out price support and other agricultural incentives which encourage overfarming.

"Agricultural policy should re-inforce rather than contradict environmental objectives," it says.

About 11 per cent of the earth's ice-free land is cultivated, of which 24 per cent is pasture and 31 per cent woodland or forest. Around ten per cent of the world's population live in mountain regions which have been under pressure from excessive tourism, soil deterioration and over-cultivation of marginal lands. Rio will look at ways or preserving the ecological balance of these areas by the year 2000 by encouraging crop diversification and village industries. Mining and extraction are regarded by environmentalists as typically dirty industries. Environmentalists are pressing for an end to "tax breaks" which encourage mining in the US, Japan and France, but for more recycling to reduce the amount of minerals that have to be extracted.



**In drought-stricken Ethiopia, a woman works strenuously in the vital task of preparing terraced land for crop-growing near Wukro.** Picture by Neil Cooper.

**John Hunt**

Goods being unloaded at Apapa Quays, Lagos, Nigeria. Studies contradict claims that free trade in developing countries often leads to environmental degradation.

Co-operation is better than coercion in persuading developing countries to adopt environmentally-friendly policies, says **David Dodwell**, World Trade Editor

# Trade bans unlikely to succeed

THE USE of trade bans as a stick with which to bludgeon poor countries into adopting better environmental policies is unlikely to be effective, and is probably playing into the hands of protectionists, according to recent studies from the World Bank and the General Agreement on Tariffs and Trade.

While free trade is no panacea, co-operation will produce better results than coercion, says Mr Lawrence Summers, vice-president and chief economist of the World Bank in a new report on Trade and the Environment. Developing countries in particular should not be forced to take action they cannot afford, such as stricter environmental legislation, he argues.

The Gatt and World Bank reports, intended to fuel debate at the Earth Summit in Rio de Janeiro, acknowledge that the failure to take proper account of environmental costs has led in some cases to environmental degradation. But they also argue that blanket harmonisation of environmental regulation, sought to ensure fair competition between exporters, is inappropriate and runs counter to accepted principles of international trade.

Trade measures may be justified as environmental policy "in very narrowly defined circumstances", they argue. Indeed Lawrence Summers notes that "in the case of worldwide problems like global warming or in the case of regional problems like acid rain, there is no viable alternative to international co-operation." But at the same time, he insists that "there is almost always a better way of meeting environmental objectives."

The bank debunks the "deep ecology" view that environmental assets, such as rain forests or endangered species, have infinite value, and from this, argues that countries have a right to decide what value they give to environmental quality, traded against the need to provide jobs, relieve poverty, provide proper health care and education.

The reports are also valuable in providing substance to the argument over whether "dirty" industries are migrating to countries with lax standards. They concede that the amount of "dirty" industry output in developing countries has grown steadily over the past two decades, but suggest that this has more to do with the stage of industrialisation of many developing countries than any other factor.

STUDIES in Chile and more widely across Latin America also contradict the claims that free trade leads to environmental degradation and that industries migrating to developing countries seek comparative advantage in their lower environmental standards.

On the contrary, it is protected markets like those of eastern Europe that have harboured inefficient companies using pollutive technologies, rather than open ones.

Several reasons are given for this: companies have become fearful of liabilities arising in the event of environmental accidents, and are sensitive to the demands of "green" consumers in export markets.

They economise by using common production standards in all plants, wherever they are based, and find it cheaper to start new plants with state-of-the-art technology rather than face the comparatively expensive prospect of "retrofitting" ageing plant. They also have to anticipate that developing countries will over time demand more stringent environmental standards.

Evidence drawn from the world timber industry also points to the paradoxical conclusion that curbs on world trade in tropical hardwood could result in more forest depletion rather than conservation.

The findings of a World Bank study of the timber industries of Brazil and Indonesia challenge environmentalists who have fought for a ban on trade as a main plank in their push to protect the world's forests.

About 60 per cent of forest depletion is due not to trade but farming and cattle ranching, the study shows, with the balance split between road building, urbanisation, fuelwood and logging: "Activities geared to the domestic market...are the main players in the deforestation process."

The case is vividly illustrated in Brazil, where commercial logging accounts for less than 1 per cent of GDP, and for under 1 per cent of export revenues. Of total hardwood logging, 10 per cent goes on to the export market, the rest being used inside Brazil.

As a result, trade measures against Brazil's exports are useless. They have no influence on the deforestation process, and they lull environmentalists into a false sense that progress is being made.

GATT, which polices world trade, and is at the centre of such controversies as that over whether a trade ban is appropriate on tropical hardwood, argues above all else that countries should have freedom to decide how to resolve their environmental problems, and other countries are wrong to use trade instruments against them if they disagree.

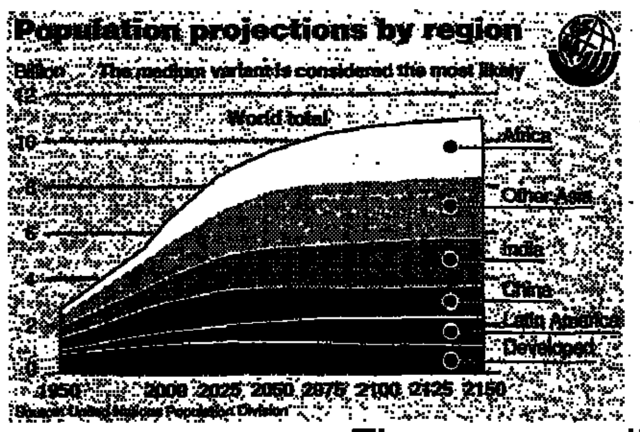
This challenge to the use of extra-territorial sanctions to force "good" environmental practices on other countries has aroused anxiety that a lack of international agreement on environmental standards and practices will make it a "pig in the middle" in trade disputes.

The US "dolphin-tuna" controversy was a first, but others are pending, such as Swedish and Swiss bans on imports of chickens raised in cages.

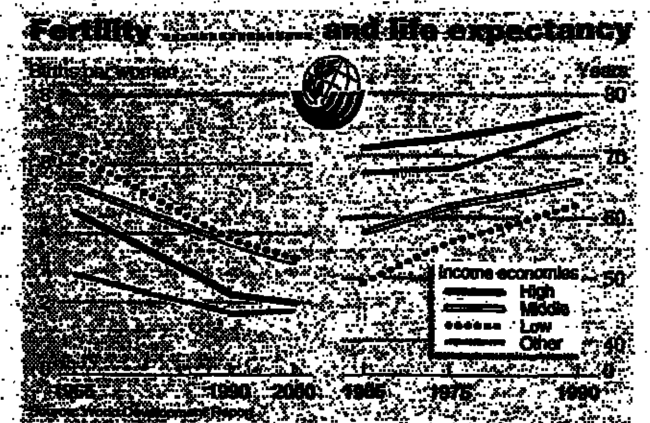
The World Bank provides support for Gatt's role: "Gatt rules can protect [developing countries] from new forms of protectionism under the guise of environmental policy, reinforce the respect of sovereignty in trade relations, and shift emphasis from the use of trade sanctions to negotiations. The rule-based multilateral system protects the interests of small countries against power-based unilateral policing by large countries."

Other ways of pressing countries to change environment policies could include product labelling and financial or technological transfers: "Trade forums seem to be the wrong places to address environmental issues.

"The source of the problems is not in trade, but in the need to [take proper account of] environmental costs."




Children in China: around 37 per cent of people in developing countries are under 15 years of age




There may well be 10bn people on the earth by the year 2050

# Population surge is a crucial issue

THE WORLD'S population is growing at an unprecedented rate, consuming more resources than ever – nearly a billion people will be added to the planet during the 1990s, according to the Worldwatch Institute. As the number of poor people is increasing, human migration is growing and renewable resources, such as water and land are increasingly under threat.

Such realities make the population issue a crucial one for sustainable development. There are about 5.5bn people in the world, with an average annual increase of 97m projected for the coming decade. International experts agree that population growth rates will have to be reduced, and the pattern of human activities changed, if ecological catastrophe is to be averted.

The two go hand-in-hand because it is not simply high population growth rates that are threatening the environment. Developed countries, with relatively low birth rates, consume most of the world's resources. A Bangladeshi, for example, consumes energy equivalent to three barrels of oil a year, a US citizen 55 barrels.

As Oxfam puts it: "Industrialised countries generate significantly more damage per person to the global environment than do people in developing countries."

Sustainable development therefore calls for a fairer distribution of the benefits of development among the world's people.

High population growth rates in developing countries – where 80 per cent of the world's population lives – will, nevertheless, put even greater pressure on the world's resources.

The higher the population in developing countries, the higher their energy use and pollution, especially as economies develop. More water is needed, more forests are cleared, inappropriate agricultural practices increase and wildlife species disappear. Population growth in developing countries is responsible for about 79 per cent of deforestation, 72 per cent of arable land expansion and 69 per cent of the growth in livestock numbers.

Such problems are further compounded by the increasing migration of people – to urban areas and to environmentally sensitive inland areas – in search of productive land and jobs.

Addressing high birth rates means addressing poverty in such countries, say international agencies. More than 1bn people live in absolute poverty without adequate food, clothing or housing.

North-South relationships regarding debt, trade, aid and technology transfer are seen as longer-term means of tackling poverty. Programmes to tackle high birth rates focus on improving third world health and education, and providing readily available and affordable family planning.

Practice shows that birth rates can be reduced voluntarily by raising the status of women through education and providing them with opportunities other than the traditional child bearing role. It is thought that more than one in five births in developing countries may be unwanted.

The worst case scenario for the population explosion is that there could be 12.5bn people in the world by 2050 if immediate action is not taken. The most likely scenario is a figure of 10bn people.

Fertility patterns can change in just one decade. Development and consumption patterns will have to follow suit, says the United Nations Population Fund.

"World resources are adequate for the sustained development of the planet – if they are carefully used," it warns.

**Hilary de Boerr**



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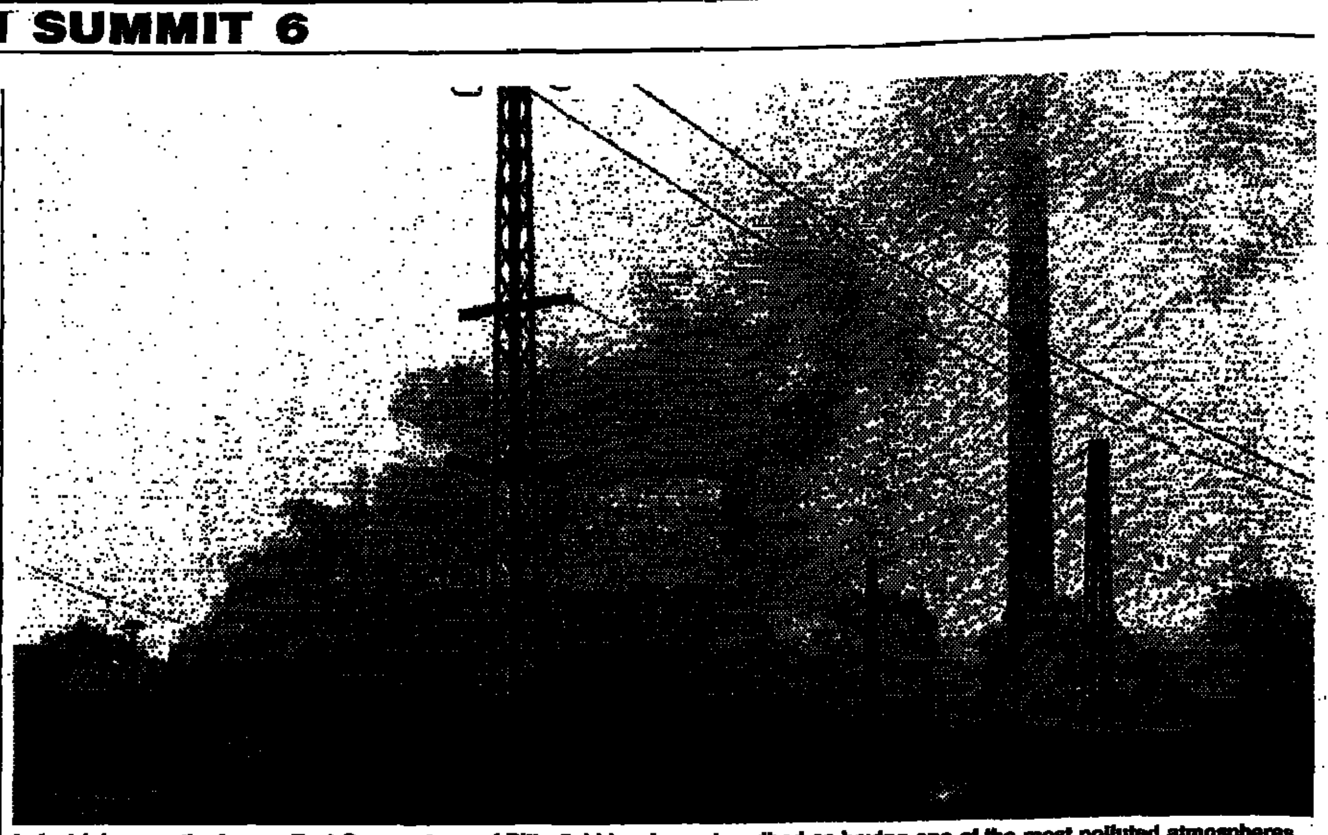
In India, women and children wait for their evening ration of water around a well in Chamboda village, Hassanpur. Fresh water will become more scarce in many parts of the world in the 21st century due to increasing demand from growing populations, urbanisation, industrialisation and irrigation. Picture by Ashley Ashwood



Industrial smog: the former East German town of Bitterfield has been described as having one of the most polluted atmospheres in the world. EC countries are now committed to providing new resources to finance a clean-up in industrial areas.

Third World countries are increasingly reluctant to take advice from industrialised nations, writes **Stephen Fidler**

# Difference of perspective

FOR DEVELOPING country governments, the industrialised world's new-found concern for the environment has presented both a threat, and an opportunity.

The threat, as they see it, is that international pressure will be applied to force them to forego growth by placing restrictions on their ability to use their own natural resources. Having enjoyed the benefits of economic growth at great environmental cost, industrialised country governments are now seen as wanting the third world to forego development in order to contain further environmental damage.

For some governments, the first world's attempts to interfere with the environment policies in the third world smack of old-style imperialism.

Moreover, advice is not well-taken from countries whose own environmental records are poor and whose use of the world's scarce resources is so much more intensive than the developing countries'.

Dr Lim Keng Yaik, the Malaysian Minister of Primary Industries, says: "We feel offended that the whole discussion on the environment in the last few years has been a finger-pointing exercise centred on countries who are commercially exploiting their forests."

The opportunity is that, for the first time in years, the developing world has discovered it has leverage over the industrialised economies. If rich countries want the developing countries to take environmental action, the benefits of which will be widely dispersed, then there will have to be compensation.

The bill for environmental action will probably be high: according to the UN secretariat for the Rio conference the extra annual cost in aid from the rich countries would be \$125bn.

Many developing countries take the position that this should be entirely additional to current aid budgets. The World Bank has made more modest costings of an annual \$75bn from the year 2000.

The extra call on the resources of industrialised countries has scared some governments, particularly the US administration. It has taken the view that the actual threat to the environment is less critical than has been depicted. It has seen the aid demands as uncomfortably reminiscent of the 1970s discussion of a new international economic order, a debate it had considered buried.

Rich-country governments have also argued that there is much which developing countries can do for the environment by opening up their economies to the discipline of market forces, and by removing incentives for excessive exploitation of natural resources.

**Poverty is a threat to the environment — and the solution to poverty is economic growth**

This advice, though, is already being heeded by many third world governments: they are lowering trade barriers and sharply reducing the role of state intervention in their economies. Mr Jose Goldemberg, Brazil's interim environment minister, says the removal by his government of tax incentives has halved the rate of deforestation in the Amazon to 10,000 sq km a year.

Moreover, it is precisely because the market fails to account for all the costs of economic activity that environmental problems have become so acute.

The battle lines between north and south reflect in part their different perspectives on environmental priorities. In most developed countries of the north, the main concerns are issues such as carbon dioxide emissions, ozone depletion, photochemical smog, acid rain, toxic waste and the loss of rare species.

From a poor country viewpoint, the pressing environmental issues tend to be smaller in scale and of which the international ramifications are smaller: water supply and sanitation, soil erosion and desertification, and local air pollution.

Global warming does indeed imply dangers for people in low-lying poor countries, such as Bangladesh and Egypt, and threatens the water supplies of others across the world, but many more people are seen as more immediately at risk from local environmental problems. The World Bank has estimated that, for example, 200m people rely for sustenance on shrinking tropical forests, 1.2bn lack adequate safe water and 1.8bn proper sanitation, and 1.3bn people are exposed to unsafe conditions caused by soot and smoke.

From this perspective, poverty is the threat to the environment and the solution to poverty is growth. Thus, at least on the face of it, third world governments put themselves at odds with the many, mostly first world, environmental pressure groups that see growth as the greatest environmental threat.

In its 1992 World Development Report, the World Bank describes the idea of a trade-off between environmental protection and growth as a false dichotomy.

"Without adequate environmental protection, development will be undermined; without development, environmental protection will fail," it says. Developing countries are suspicious of the Global Environmental Facility (GEF), the fund administered by the World Bank through which developed countries want to channel their environment-linked aid.

Sensitive to their national sovereignty, they fear that the conditions which will be imposed on the aid will further increase the rich countries' grip over them.

As well as finance, they want access – unimpeded by restrictions on intellectual property – to clean technology; they see themselves as entitled to some financial flows from holding back on the development of their forests; and they want to capture some of the economic benefits that may arise out of the preservation of biodiversity.

For their part, most industrialised countries have thus accepted that the threat to the global environment is two-fold: spreading poverty in the south and poorly-regulated industrialisation in the north, although the extent to which this consensus will be converted into action is still unclear.

In recent months, the debate appears to have become less heated and the positions less entrenched. The summit will inevitably fall short of what many environmentalists consider minimum objectives. But a framework should be be established for the future discussion of a variety of environmental issues on a global and on a national scale.

More finance will be made available to halt environmental degradation and the GEF (now with about \$1.3bn in commitments) expanded, and made more receptive to the concerns of developing countries.

President Fernando Collor of Brazil, the host of the Rio summit, points to the decision by President Bush to attend the conference, and breakthroughs made in preparatory meetings over the last few months.

As a result, he says he views the prospects for the conference much more optimistically than he did a month or two ago.

INDUSTRIALISED NATIONS

# Conflicting viewpoints

A big issue for the industrial countries is how much money they are prepared to advance to help poorer countries clean up their environment, reports **David Lascelles**

THE INDUSTRIALISED countries may agree that the world's environment is under threat, but they differ on the seriousness of the danger and what should be done about it. Nothing illustrates this better than the reluctance of President Bush to commit himself to attend Rio until the eleventh hour, despite the strong urging of his partners in Europe and Japan.

Yet it is the industrialised countries who will be expected by the rest of the world to take the lead in mounting a clean-up, and in financing the Third World's efforts to overcome its environmental problems. The strength of these countries' support will therefore be crucial to the outcome of Rio.

Although the US probably has a longer record of environmental action, the Europeans displayed greater enthusiasm for the idea of an Earth Summit from the start. John Major, the UK prime minister was among the first political leaders to say he would attend.

Notable absentee from Rio: Ripa di Meana, the EC's environment commissioner, said he would not be going to a meeting "where everything was fixed in advance" and would just produce "words, rather than binding obligations and precise understandings" on how to cut carbon emissions.

Europe also had a clear enthusiast in Mr Carlo Ripa di Meana, the EC's passionate Environment Commissioner who was determined that the Community should put up a united front at Rio, and set a strong example on environmental matters.

The EC accepted at an early stage that the industrial countries, as the largest processors of raw materials, had a special responsibility for the environment. Its members also committed themselves to providing "new and additional resources" to finance a clean-up.

But only a week before the summit started, Mr di Meana failed to secure the support of EC environment ministers for a carbon tax, the keystone of his strategy to cut pollution. In disgust, he said he would not go to Rio after all, meaning that the EC will not now speak as one at the event. The US position is more complex. The imminence of an election made Mr Bush reluctant to commit himself to the uncertainties of Rio, particularly at a time of economic recession and growing backlash against the green movement.

Mr William Reilly, the chairman of the Environment Protection Agency, said during the preparations: "There are many things about Rio that are not encouraging," referring to the proposed treaties that would impose curbs on industry and seek to change consumption patterns in advanced countries.

The US also made much of the continuing uncertainty in the scientific community about the dangers of climate change.

In arduous negotiations in the final weeks before Rio, it managed to secure compromises on the key treaty to limit greenhouse gas emissions. The coming days will demonstrate whether these were worthwhile in order to obtain US support.

Mr di Meana was outraged by the compromise and some European Community members wondered why they should accept a treaty which fell below the standards they were implementing already.

Japan, which accepts the climate change threat, will support strong measures to reduce pollution, according to its chief negotiator, Mr Nobutoshi Akao.

A significant issue for the industrial countries is how much money they are prepared to advance to help poorer countries clean up their environment. Although they have agreed in principle to grant more aid, they have studiously avoided putting numbers on it, not least because of the heavy pressures on their own budgets.

Although Japan is keen to take a high profile at Rio, it will not commit itself to specific aid ahead of the summit, Mr Akao says.

EC members agreed in the run-up to Rio to pledge 0.7 per cent of GNP, nearly twice present average aid levels. But though some members wanted to set a target date of the year 2000, more preferred to leave the timing vague. The US has not been willing to make a similar pledge.

The expectation is that the rich countries will agree to add up to \$10bn to the \$55bn they already make available each year. But this would be conditional on most of the money going through the Global Environment Facility, the three-year-old fund set up by the World Bank specially to help Third World environmental projects.

Mr David Maclean, the UK's Minister of State for the Environment and the Countryside, told a Third World conference in Kuala Lumpur: "The reason is simple. To persuade our taxpayers to accept new and additional burdens, we have to be able to point to new commitments and additional global benefits. The GEF allows us to do just that."

The World Bank, in its latest World Development Report, is blunt about the role to be played by the industrial countries: "Industrial countries must bear most of the costs of addressing global problems," it says, "especially when the required investments are not in the narrow interests of developing countries... such arrangements have the potential to make all countries better-off if the world's willingness to pay for policy changes exceeds the cost of the changes."

**David Lascelles**

Industry viewpoint: Frank Popoff, president of Dow Chemical

# Business warms to plans for balanced development

INDUSTRIALISTS, often viewed as the villains of the environmental war, will also be gathering in Rio for the summit. But according to Mr Frank Popoff, president and chief executive of Dow, the US chemicals group, they will be coming in a non-adversarial rôle.

"We need to reduce the adversarial relationship that has existed so far – then, through mutual effort, we can actually achieve something," he says. The summit offers an opportunity for industry to raise its credibility and demonstrate the many ways it is committed to sustainable development – balancing economic growth with environmental concerns, he believes.

The minimum that should be achieved is that Agenda 21, an 800-page action programme which will flesh out the principles in the Rio declaration, should provide the template for global environmental reform, creating a framework for minimum pollution and maximum product, Mr Popoff argues.

"By coming together and talking about Agenda 21 we must be less political and more pragmatic in our approach," says Mr Popoff. There's no point being utopian, but we must change course to sustainable development."

The chemical industry vies with the oil industry in public esteem for being the least environmentally-friendly, but, according to Mr. Popoff, chemistry has an important rôle to play in reducing pollution. Modern pesticides have been developed, he observes, which require grammes rather than tonnes per hectare, and are benign, decomposing extremely quickly.

However, he stresses the importance of self-regulation within the industry as well. and the need for the sector to pre-empt national regulators from setting up different standards in different countries.

Too many companies still regard waste and emissions reduction as something they must do to satisfy outside agencies rather than something they can do to realise economic gain.

Dow has been running a campaign called "Wrap" – Waste Reduction Always Pays – for the last five years, based on the premise that the best approach to environmental problems is not to produce pollutants in the first place. The company has also set up a yield improvement programme that searched for ways of using fewer raw materials and less energy per unit produced.

Dow's policy towards plastics has been driven by the need to control waste. The company is continually searching for ways to prevent pollution rather than dealing with it at the end of pipeline; it also aims to reuse plastics when possible, recycle what cannot be used and then reclaim the energy in the product.

Frank Popoff: he warns that if the chemical industry fails to regulate itself, the price would be "chaos"

The principle of sustainable development fits in well with Dow's existing philosophy, says Mr Popoff. That is why the group has been quick to back the proposals.

Mr Popoff warns that the price to be paid if the industry fails to regulate itself is chaos. In particular, if different standards are set up in different states, then the issue of pollution will become even more hopelessly intermingled with trade issues. Trade and the environment are already in a hopeless mess, he says.

The solution to pollution must be based on market principles. The results of over-regulation and centralisation have been all too clearly demonstrated in eastern and central Europe.

He believes taxes on consumption are preferable to competing subsidies. One clear opportunity is to reduce discrepancies in the gasoline sector, where consumer prices are five times higher in Italy than in the US – "the US has been slow to address the issue of gasoline prices," he says. "It may be politically controversial, but by raising prices it would have the great advantage of reducing inordinate use. We must have a universal gasoline price."

Mr Popoff admits such a move would be politically difficult, but the electorate might well be interested in a politician who put forward such a fresh view.

One of the most significant problems facing the summit will be that of reconciling the differing agenda of north and south. The north is interested in energy consumption, air and water quality, solid waste, and climate. The south's pre-occupations remain population growth, deforestation, desertification, water and technology transfer.

"All these things are compatible. The issues are global," says Mr Popoff. "We have to work together, because otherwise there are no other real options."

**Paul Abrahams**

Profile: Maurice Strong

# Man with a global mission

WHATEVER the outcome of the Earth Summit, the fact that it is taking place at all is due largely to a short, bustling Canadian with a cheerful face: Maurice Strong.

For the last two years, Maurice Strong, secretary general of the UN Conference on the Environment and Development (Unced), has roamed the world from his office in a faded mansion on the outskirts of Geneva, drumming up support for the event. As preparations reached their climax earlier this year, he was visiting a different continent almost every day.

Not bad going for someone who recently celebrated his 63rd birthday, *writes David Lascelles.*

But Mr Strong has brought a dash of passion to his job – in addition to the patience and good humour which he has needed to keep things moving, particularly during the last few months when it looked as if Rio was getting hopelessly bogged down.

"The environment is not a matter of dealing with a few pollution problems," he says. "We've gone far beyond that. It exposes the underlying technological malaise of our civilisation. We have not done it deliberately, but we have lost our innocence."

For much of his life, Mr Strong was a businessman, holding senior positions in Petro-Canada and Power Corp. of Canada. In the 1970s he became involved in the UN's growing environmental efforts. Although he returned briefly to the private sector after that, he was again drawn into the UN during the 1980s, eventually acquiring the job of organising Rio.

If he imagined that mounting concern about the state of the planet would make his job easy, this has turned out to be far from the case. As the preparations exposed ever


Maurice Strong: a skilful mediator

deeper divisions between the rich and poor, the greens and industry, governments and lobbyists, Strong was increasingly cast as a mediator, hunting for points of agreement, soothing, encouraging, prodding...

He had to contend with a rising barrage of scepticism in the media – which he dealt with by granting hundreds of interviews in which the message usually boiled down to: "Yes, there are problems, but we're getting there."

He has his critics too, particularly in the industrial world where he is viewed as siding too closely with the interests of poor countries, and over-simplifying the issues – "Maurice tends to behave as if the environmental debate is still the same as in 1970. It has matured a lot since then," says a European official.

In his efforts to accommodate as many interests as possible Strong also allowed the Unced agenda to balloon to an enormous size. When Unced was asked to produce cost estimates for the global clean-up, it put them at an astronomical $625bn a year. With firmer leadership, Strong could have focussed the Rio agenda more tightly, and avoided accusations of financial megalomania.

But that is now history. Strong is, needless to say, optimistic about the outcome. There may be fewer treaties on the signing table than was originally hoped, there are still big question marks about aid money, and many of the largest interest groups still fear the Summit will be a sell-out to their rivals, or a massive anti-climax.

But Strong stresses that Rio was never intended to come up with a complete environmental rescue plan. What it must mark is "a credible beginning," with forceful arrangements to ensure that the great clean-up, once set in motion, keeps going.

"I've been around this for a long time. I've seen the evidence. I believe we are facing an environmental crisis. The planet is more threatened today by the danger to its life systems than it has ever been by war."


The world's oil companies are now among the most sensitive to criticism on environmental issues. The business viewpoint will be put to Rio by the International Chamber of Commerce.

The business community is anxious about the threat of 'green taxation' and over-regulation

# Big companies are keen to look green

THE business world has mixed feelings about Rio.

A number of large companies which think of themselves as responsible on green matters are glad to see the state of the planet high on the global agenda. But many others view Rio with apprehension: could it lead to tougher green rules and new taxes? Can business' quest for profits be reconciled with a clean environment?

One man who thinks the answer to that question is yes, and has been prepared to spend some of his considerable personal fortune to back it up is Mr Stephan Schmidheiny, a private Swiss businessman who chairs the Business Council for Sustainable Development.

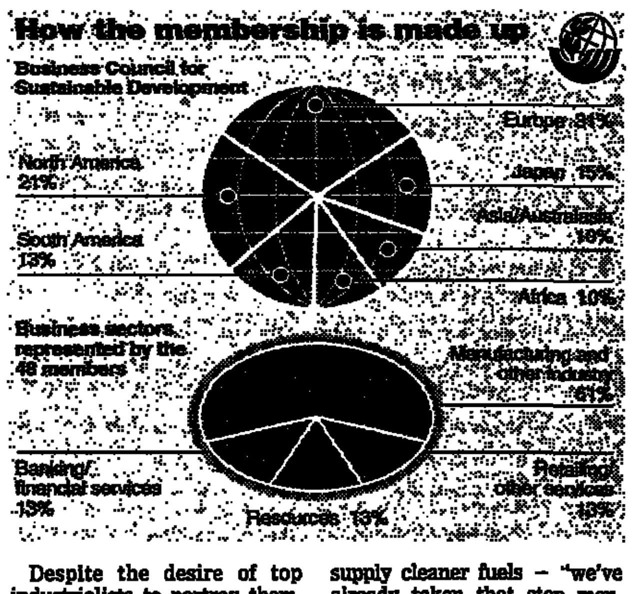
He argues that business should see the environment in the same light as research: something you spend money on without the prospect of immediate gain, but in the hope of securing long term benefits. In this case, the benefit would be greater efficiency, in addition to whatever moral or public relations value a company acquires through being green – "companies should see this as another opportunity for competitive advantage-gaining."

Mr Schmidheiny recently published a kind of businessman's green manifesto, "Changing Course", which argues that business can make a contribution to solving the world's ecological problems, provided there are free and open markets, and regulations treat everyone fairly.

The alternative to business' willingness to co-operate would be a draconian regulatory crackdown which would harm everybody, the book warned.

The business viewpoint will be put at Rio by the International Chamber of Commerce. The ICC, with members in 112 countries, has drawn up a business charter for sustainable development which has the backing of 750 leading companies around the world.

They undertake to recognise environmental management as a high corporate priority, but they will also be advancing the message that competition must be free and fair.




Despite the desire of top industrialists to portray themselves as environmentally concerned, Rio comes at a time of mounting frustration within the business community over the growing regulatory burden.

Only three weeks before the start of Rio, a survey by Price Waterhouse of manufacturing companies in the UK's industrial north showed them chafing under environmental regulations. And in the US President Bush lifted certain species controls which were obstructing the lumber business.

One of the results that the business community is seeking from Rio is closer co-operation between governments on environmental matters, so as to ensure that some countries do not adopt tougher rules than others, and put their exporters at a disadvantage.

"We need an umbrella being put up at Rio," says Mr John Collins, the chief executive of Shell UK, and chairman of the UK government's Advisory Committee on Business and the Environment. He says Shell is ready for measures like a carbon tax which might suppress demand for oil, provided it is applied to all industrial countries.

Although such a tax would hit at Shell's products, Mr Collins says his company would be ready to reposition itself to supply cleaner fuels – "we've already taken that step mentally," he says. He accepts that governments will have to make what he calls "fiscal tweaks" to encourage environmental shifts. But he also believes that the prices of goods and services must increasingly reflect the environmental costs in production, use and disposal.

In Japan, the big corporations have recognised the needs of the environment, but are now confronting the realities of dealing with it, says Mr Michio Hashimoto, an expert adviser to Japan's Environment Agency.

Although the financial services industry is less exposed to environmental issues than industry because it does not process raw materials, environmental pressures are beginning to make themselves felt there too. A group of 31 leading European and Japanese banks recently endorsed a UN accord on sustainable development. The document committed them to pursue best environmental practice in the management of their own affairs and also to take account of their clients' environmental risks when assessing them for loans.

Bankers are worried that they might be made liable for the environmental infringements of their borrowers.

**David Lascelles and John Hunt**

Summit is 'a unique opportunity,' says Michael Howard

# The start of a process

MICHAEL HOWARD, the UK's new environment minister, claims to have played a special role in the realisation of the Rio Summit. It was during his recent trip to Washington that the US agreed to the proposed Convention on Climate Change which opened the way for President Bush to say he would attend Rio.

Whether or not Mr Howard was the honest broker who brought this about, he maintains that the compromises made on the convention were well worth it in order to get the US on board.

"It is very important that the US is going to Rio," he says. "All should be involved in this event."

Not that Mr Howard has had a chance to build up a track record on the environment. He only got the job after the Conservatives won the election in April, having previously held positions in the trade and employment departments. And he was quickly denounced by the green lobby for engineering a sell-out over the Climate Convention.

But Mr Howard is prepared to lay considerable store by Rio – "it is a unique opportunity which must not be squandered," he says. Although he hopes to see "meaningful agreements" signed in Rio, he stresses that "it is not the end but the *start* of a process."


Michael Howard, the UK's new environment minister

Efficient arrangements will have to be put in place after the event to monitor the implementation of the agreements.

As a representative of one of the leading industrial countries, he will be under pressure in Rio to contribute to the enormous funding requirements of the Third World to meet environmental targets. But this is one subject on which he prefers not to comment in detail.

"The UK commitments remain to be seen," he says. He recalls that the Tories' election manifesto committed the UK to increasing its aid to the equivalent of 0.7 per cent of GNP. And his predecessor, Michael Heseltine, pledged that the UK would make "new and additional funds" available for Rio. But, as Michael Howard points out, there was no timetable.

Mr Howard is not alone among environment ministers from the developed world who are reluctant to show their hands ahead of what are likely to be tough negotiations over the money. And this heightens the danger that the Rio Summit will fail to deliver on its promises.

Michael Howard advises people to be cautious in their hopes for the summit – "if they think it will solve all the problems, they will be disappointed," he warns.

"But I hope they have more realistic expectations. This is, after all, the first attempt to tackle global problems on a world scale."

**David Lascelles**


Economic growth in industrialised countries often brings an increase in garbage, bringing contention over disposal and recycling issues. Above: uncollected rubbish left in Liverpool parks last summer during a strike by council workers

Disappointment among environmental pressure groups

# Cause for concern

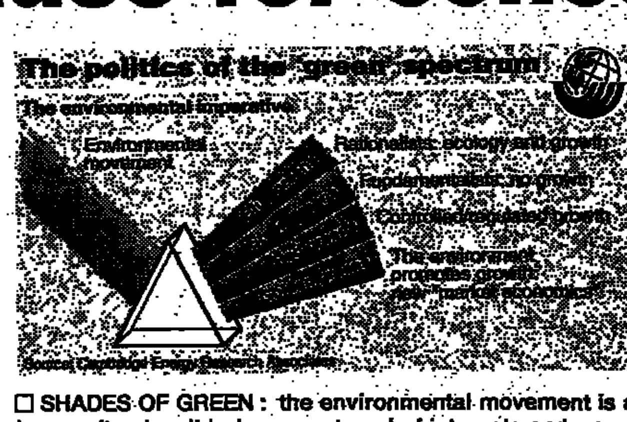
THOUSANDS of environmental pressure groups all round the world have been closely involved in the preparations for Rio. When the idea of the summit was first mooted, many of them were delighted that the environment had finally reached the top of global priorities.

But since then, disenchantment has set in. The succession of compromises and cutbacks in the agenda have left them with dark forebodings about the outcome.

A few weeks ago a number of them including Friends of the Earth and Greenpeace, put out a joint statement saying: "It appears that the Earth Summit is failing to meet its challenge and instead moving in the opposite direction from the path it must forge to save the planet from destruction. Barring a dramatic change of course, it is heading toward a failure of historic proportions."

The World Wide Fund for Nature, the Swiss-based group, is also worried about the "lack of political commitment" by participating governments, according to one of its officials, Gordon Shepherd. Even so, WWF has dispatched nearly 30 experts to Rio to press for more concrete results.

Despite the apocalyptic language, the green groups do have genuine cause for concern. They are worried at the lack of agreement on measures to stem the degradation of the global environment and disappointed that they have not been allowed a more significant role in the preparatory meetings for the summit.




☐ SHADES OF GREEN : the environmental movement is a large, often bewildering assortment of interests and ideologies. Cambridge Energy Research Associates, the US consultancy, has created this "prism" which shows how the greens cover all parts of the spectrum — from "no growth" to "pro-growth".
In between, lie the greens who advocate a varying balance between growth and regulation.

It was the intention of the Unced organisers that the views of a wide spectrum of environmental pressure groups should be fed into the discussions. But Roger Wilson, director of the political division of Greenpeace International, says it has been "really tough trying to get access to the private meetings of the preparatory conferences."

He says there has been a substantial input of reports by the green organisations on a number of issues – "but we are very disappointed at the lack of delegates' serious concern for the points we have raised."

There was an unwillingness to discuss some subjects, notably anything to do with nuclear power and its impact on the environment. He says this was treated as a "sacred cow" that was outside the discussions.

Roy Thomson, formerly on Friends of the Earth, has been advising the British Government delegation to the conference on the role of the environmentalists.

"In the beginning, hopes were too high, there was too much hyperbole," he says. "So it is not surprising that there has been a progressive lowering of expectations."

A consultation process was carried out in Britain by the UK committee of the United Nations Environment Programme in which many environmental groups participated. Mr Thomson drew up a report summarising their views.

These included sweeping proposals to solve the problems of world poverty by additional aid from the industrialised world and a $5bn programme to stabilise world population.

Furthermore, there were demands that would mean restraints on economic growth – an outcome which would be strongly resisted by business representatives at the conference.

The report urged that demand for goods and services should be constrained and the UK Government should take a lead among rich nations in lowering the consumption of resources.

Goods and services should meet "real needs" rather than satisfying "generated wants and titillated greed."

At a more realistic level, the report called for policies to ensure the conservation of energy and the minimisation of waste.

Many green groups will be disappointed by Rio because it will not provide full answers to their particular concerns. But Mr Andrew Lees, the campaigns director of Frieds of the Earth, says the best way to judge its success will be on the strength of the arrangements for keeping the Rio process going once the summit is over – "we have to ensure that governments are accountable and held to the task," he says.

**John Hunt**



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An issue underlying the labyrinthine discussions at Rio is technology transfer

# Technology alone is not enough

EVERYONE is aware that, if practical progress is to be made on any of the specific problems, from global warming to the extinction of wildlife species, scientific knowledge and technical skills will have to be transferred on a huge scale from industrialised to developing countries.

Yet "technology transfer", a frequent incantation in the preparatory work for the Earth Summit, is poorly defined – and understood differently by people on opposite sides of the North-South divide.

Politicians from developing countries tend to imagine that the industrialised world contains a treasure trove of advanced technology, locked up by greedy companies and insensitive governments.

They see the system of protecting intellectual property through patents as a particular barrier to setting poorer nations on the path to clean growth.

The western point of view – shared on the whole by governments, companies and environmental groups – is that the Third World's pre-occupation with hi-tech is misguided. Indeed, as Mr Chris Rose, programmes director of Greenpeace, notes, "the South has become particularly obsessed with biotechnology.

The United Nations preparatory committee for the Earth Summit pointed out that "a large body of useful technological knowledge lies in the public domain and is unaffected by the international patent system. Also, most proprietary technology is available through commercial channels."

The barriers which developing countries have to overcome before they can tap this pool of knowledge are, in order of increasing size: finding out about the appropriate techniques; establishing the infrastructure to introduce them; and, above all, paying for them.

Several regional and international clearing houses already exist to exchange information about environmental technology. A fairly wide-ranging example is the UN Environment Programme's Industry and the Environment Office in Paris. Others organisations transfer information in more specialised fields.

A Shell Chemical complex, near Manchester. Many of the world's leading chemical companies try actively to transfer the best environmental technology to their subsidiaries in the third world.

One new example is the International Service for the Acquisition of Agri-biotech Applications, which is being set up at Cornell University, New York.

It aims to tell farmers in developing countries how to increase yields while using less pesticide; ISAAA will concentrate on passing on biotechnology which has been tried and tested in the west and which can be introduced without disrupting traditional agriculture.

But the Earth Summit organisers are looking for a great expansion in the network of technology information exchanges. They estimate that the international community would have to contribute \$150m to \$200m a year to their running costs.

The UK government commissioned two studies of technology transfer by the consultants Touche Ross, to help prepare for the Earth Summit. One looked at climate change and the other at biodiversity. Both concluded that aid agencies have concentrated too much so far on transferring "hard" technologies and have seriously neglected maintenance programmes and "soft" technologies such as training and developing local skills.

**The Earth Summit organisers are looking for a great expansion in the network of technology information exchanges**

"People tend to regard technology transfer as handing over the blueprints for a process," says Mr John Coleman, environmental affairs manager for ICI, the UK-based chemicals group.

"But it's much more complex than that. Handing over the blueprints is only about a third of the story."

As Mr Coleman points out, if you build a chemical plant in a developing country without training the operators properly, "people could do immense environmental damage by operating the plant wrongly."

The international chemical companies no longer build cheap and dirty plants in the Third World. They now try actively to transfer the best environmental technology to their subsidiaries.

The ICI policy, in the somewhat cumbersome phrasing of Sir Denys Henderson, chairman, is that the company will "build new plants anywhere in the world to the [environmental] standards which we can reasonably foresee will be required in the most demanding country in which we operate the particular process."

But even if western companies build the cleanest and most advanced plants in developing countries, their governments may be faced with immense costs in providing the necessary infrastructure – for example, water and waste treatment facilities.

"It may become increasingly difficult for developing countries, with little industrial base, to obtain the technology and related experience that will be needed to overcome global environmental issues," Sir Denys says. "It is surely here that the role of governments and international organisations will be crucial in developing the right financial and political climate to allow technology to be transferred as widely and quickly as possible."

In other words, there is no point in considering technology transfer on its own. It must be part of an all-round development programme.

In the end, however, there is something slightly paradoxical about the view that technology can save the planet, when it is clear that technology enabled mankind to make such a mess of the earth in the first place. As the UK-based Intermediate Technology group puts it, "technological advancement driven by greed has led to rapacious stripping of the earth's resources and has fuelled unsustainable lifestyles in the north."

The IT group believes the *Small is Beautiful* approach, first expounded 20 years ago by its founder, the late Fritz Schumacher, is more appropriate today than ever. It argues that the widespread application of small-scale technical solutions, combining western know-how with local skills and resources, can make more impact on the Third World environment than grandiose projects such as large "clean coal" power stations.

Examples of intermediate technology introduced successfully include fuel-efficient wood burning stoves in Kenya and Sri Lanka; cleaner metal extraction equipment for small-scale goldminers in Zimbabwe and roofing tiles reinforced with local vegetable fibres in many African countries.

**Clive Cookson**

Profile: Brazil's Environment Minister

# Scientist with impeccable green credentials

A NUCLEAR physicist may seem an unlikely choice for Environment Minister, but Mr José Goldemberg's green credentials are impeccable.

One of Brazil's best-known scientists, Mr Goldemberg hit the headlines in the late 1970s when he came into direct confrontation with government by opposing the purchase of nuclear reactors under a programme set up with West Germany in 1975.

Today, charged with conserving the world's largest rainforest, reducing forest fires, and protecting its 270,000 strong indigenous population from invasion by wildcat goldminers and loggers, 64-year-old Mr Goldemberg is one of the longest surviving members of President Collor's government.

Initially appointed as Secretary for Science and Technology he has become Mr Collor's "fix-it man," moving over to head the education ministry at the beginning of this year after a corruption scandal caused the downfall of his predecessor, and adding the environment portfolio in April when its incumbent José Lutzenberger, Brazil's leading ecologist, was dismissed.

Mr Goldemberg is already proving his reputation as a practical no-nonsense man by freeing long delayed money for environmental projects from the World Bank and Inter-American Development Bank.

He makes no effort to disguise his contempt for what he calls the "hypocrisy of the developed world," particularly when it comes to the Amazon rainforest, 60 per cent of which is in Brazilian territory.

"We get a lot of advice and very little money – it annoys me tremendously," he complains.

As an example he cites debt-for-nature swaps: "I had a terrible time inside the government persuading the economy ministry and president to approve the idea.

"Finally, they agreed to allow up to \$100m, yet to date we've received offers for only \$6m." The first \$2m swap was signed in May this year.

In Brazil, there are still plenty of people who do not share in the nation's wealth. Here, city children rummage through street waste materials. On international environmental issues, the country's straight-talking environment minister, José Goldemberg, comments: "We get a lot of advice – and very little money. It annoys me tremendously."

Mr Goldemberg's main hope from the Earth Summit is a convention limiting emissions: "I see it as a bargain. Developing countries such as Brazil have been making strong efforts to cut deforestation and it has been falling ten per cent a year since 1985.

"We cannot cut emissions because this clashes head on with our need for development but if we make an effort to decrease the growth of our emissions the first world should set some targets for reduction of theirs."

**José Goldemberg makes no effort to disguise his contempt for what he calls the "hypocrisy of the developed world"**

One of Mr. Goldemberg's responsibilities is to harmonise the Brazilian position for the Rio conference.

His predecessor had considerable difficulties with the Brazilian Foreign Office over its advocacy of the concept of *sustainable development* – the rational economic utilisation of natural resources such as the forest.

Mr Goldemberg believes that outsiders have concentrated too much on stopping deforestation of the Amazon and too little on sustainable development to provide a living for its 16m inhabitants.

He warns: "There's a lot of poetry about sustainable development, but it's a very tricky thing because it produces a low income."

Mr Goldemberg is expected to be only a stop-gap minister until after the Summit and he has no masterplan for the future development of the Amazon.

The Brazilian government is not a Soviet-type government which plans in detail, he says – "it's main responsibility is to keep the minimum of law and order in the Amazon; and the police have enough trouble keeping transgressors in line."

**Christina Lamb**

FINANCIAL TIMES SURVEY

# INVESTMENT IN QUEBEC

SECTION IV

Tuesday June 2 1992

**In business, politics and culture, Canada's francophone province has become one of North America's most vibrant regions. In this survey Bernard Simon looks at Quebec's assertive industrial strategy and some bulwarks of its economy**

## Political heat grows

POLITICAL TURMOIL has always been among the least troubling concerns for anyone doing business in Canada, but not this year.

The question whether this vast country will remain in one piece and, even if it does, how it will in future be governed, is worrying business people and politicians alike. The ups and downs of the currency and bond markets in Toronto and Montreal are explained these days as much by the mood in the hothouse of constitution-writing as by the latest GDP or CPI numbers.

At the centre of Canada's latest and most searing identity crisis is French-speaking Quebec – as it has been at almost every period of stress in the Canadian federation for the past 125 years.

The linguistic and cultural divide between Canada's "two solitudes" has opened a similar rift on economic and political issues between the 6.5m Quebecers (about four in five of whom are French-speaking) and their 20m English-speaking countrymen.

As their horizons have broadened over the past 30 years, Quebecers have gained confidence in their ability to be *maîtres chez nous* (masters of our own house).

At the same time, however, the insecurity that comes from trying to sustain a distinct culture in North America makes Quebecers nervous of compromise, especially with Canada's nine other provinces.

A hard-core group of separatists, supported by about 20 per cent of Quebecers, has found a wider audience over the past two years for their dream of a quasi-independent state. A sovereign Quebec, so the nationalists argue, would not only guarantee a secure future for the French language and culture in North America, but could generally run its affairs without the inefficient interference of Ottawa or the other provinces.

Events over the past two years have provided fertile ground for the dreams of the separatist Parti Quebecois. A rash of petty anti-French incidents in other parts of Canada, most memorably a group of elderly bigots in rural Ontario stomping over a Quebec flag, played into the hands of the separatists. So did the collapse in June 1990 of the Meech Lake accord, which would have given Quebec a number of extra powers and recognised its distinct identity, in exchange for its signature on the 1982 Canadian constitution.

Besides feeling rejected by the rest of the country, many Quebecers had ample reason in 1990 to believe that the cost of going it alone would be easy to bear. Buoyed by the successes of a new generation of assertive French-speaking entrepreneurs, the corporatist state of Quebec Inc. was riding high. No other Canadian province was more enthusiastic about the 1989 US-Canada free trade agreement.

Quebecers were assured that their economy was as big and robust as Austria's or Denmark's. Often more at home with Americans than with English-speaking Canadians, Quebecers assumed that the economic costs of a break with Canada could be compensated for by closer links with the US.

Yet although by late 1990 and through much of 1991 a clear majority of Quebecers was tilting towards some form of independence, the pendulum has recently started to swing in the other direction, and much of the enthusiasm for a break-up has dissipated. Quebec is set to hold a referendum on its political future by the end of October. Whether the question will invite an outright yes or no to sovereignty, or whether it will merely gauge support for proposals from the rest of Canada for a new constitution, there is a growing sense that Canada will survive in one piece – at least for the time being.

A split, if it does happen, is less likely to be caused by any hell-bent desire for independence on the part of Quebec, than by regional jealousies in other parts of the country, especially the western province of Alberta. Canada, including Quebec, is still sadly lacking in politicians bold enough to put the national interest ahead of their narrow, regional biases.

In fairness, the recent turnaround in public opinion within Quebec does owe almost as much to cooler heads in the rest of the country as it does to disenchantment with separatism. The separatists' cause has been damaged, too, by political and economic developments, some of their own making.

With the exception of neighbouring Ontario, Quebec has been hit harder by the recession than any other part of Canada. Unemployment in the province is now above 12 per cent, and is likely to stay in double digits for some time. Forestry and mining, two cornerstones of the provincial economy, are struggling to overcome not only a worldwide drop in commodity prices, but also their own high costs.

The province's vulnerability to forces beyond its control was underlined last March, when the New York Power Authority cancelled a C$17bn electricity contract with Hydro-Quebec, the huge government-owned power utility. The cancellation means, at best, a two-year delay on the next stage of the world's biggest hydro-electric scheme on the rivers flowing into Hudson Bay.

Meanwhile, federalist business leaders in Quebec, both English and French-speaking, are becoming more outspoken in warning of the costs of a split. "No one is suggesting for one minute that the battle is won," says one prominent Montreal businessman. "But things are definitely going in the right direction."

Although the separatists can draw on innumerable studies to claim that an independent Quebec would not be much worse off, they have had difficulty demonstrating that a break from Canada would bring tangible benefits. Federalists, on the other hand, can tick off a long list of likely costs, from the loss of federal civil-service jobs to the possibility that Quebec would have to renegotiate the free trade agreement with the US, and the threat of ugly border disputes with Canada and with Quebec's own aboriginal people.

The separatists have weakened their own cause by trying to have it both ways. Mr Jacques Parizeau, the Parti Quebecois leader, has suggested for instance that an independent Quebec would want to retain the Canadian dollar. Banks already report a stream of inquiries from Quebecers worried that their savings might suddenly be converted into a new – and probably weaker – currency.

Mr Brian Mulroney, Canada's prime minister and himself a bilingual Quebecer, has seized on such fears to warn that Canada is not a "buffet" from which they can pick and choose.

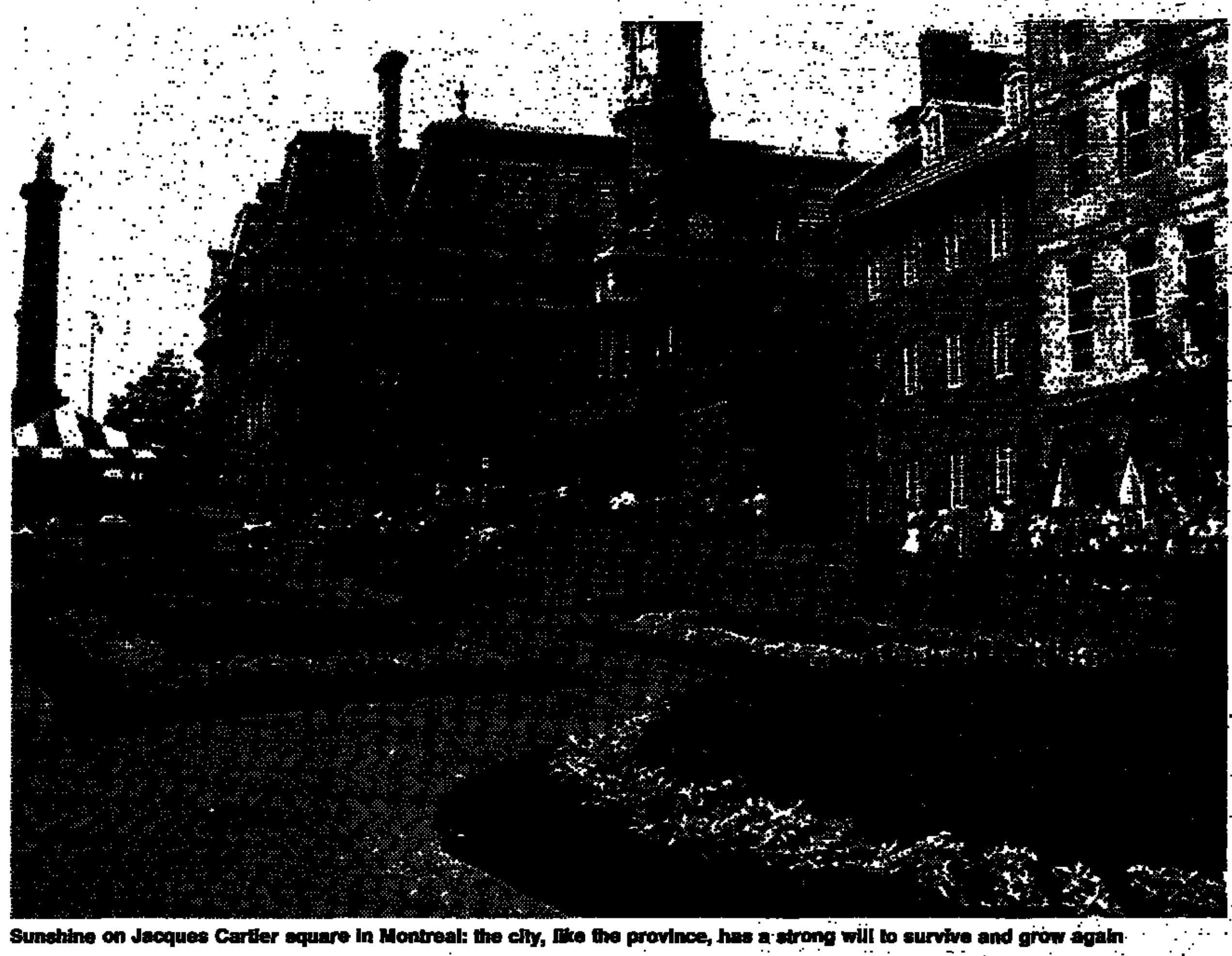
There is a growing realisation on all sides that independence negotiations would be a messy, and probably nasty, business. The message of the bloody break-ups of Yugoslavia and the Soviet Union has not been lost on Quebec, or, for that matter, on the rest of Canada. The separatists' cause was further hurt in early May by political scandal. Mr Claude Morin, one of most senior ministers in the Parti Quebecois government in the late 1970s, admitted that he was a paid mole for the Royal Canadian Mounted Police.

Some of the credit for Quebecers' new willingness to strike a deal with the rest of the country belongs to Mr Robert Bourassa, the province's premier since 1985. Mr Bourassa is one of Canada's most shrewd politicians. One foreign diplomat likens him to a crab: "He keeps moving sideways, but always seems to get to where he wants to go."

After years of Delphic comments on his own attitude towards independence, Mr Bourassa and his ministers have recently made some gentle gestures towards the rest of the country. Quebec has signalled a softer line, for instance, on its French-only language laws, notably Bill 178, which requires French-only signs on buildings, store-fronts and billboards. Mr Bourassa's decision in 1987 to override a Supreme Court ruling against Bill 178, was a milestone in souring English-speaking Canadians' mood towards Quebec.

Fatigue with the interminable constitutional wrangle has itself improved prospects for a settlement later this year, but the risk is that a solution produced by compromise instead of leadership will be unwieldy, and thus not very durable. In response to Quebec's demands, whatever deal is put together will include a transfer of powers – notably worker training and culture – from an already weak federal government to the increasingly assertive provinces. Western and Atlantic provinces are likely to burden the parliamentary process with new checks and balances, notably a more powerful Senate, consisting for the first time of elected members.

A Quebec comedian once quipped that "what Quebecers want is an independent Quebec within a strong and united Canada". It would be a sad irony if, after all these years of soul-searching and negotiating, they ended up with neither.



Sunshine on Jacques Cartier square in Montreal: the city, like the province, has a strong will to survive and grow again

INDUSTRY

## Clusters hold key to markets

MR GERALD TREMBLAY, Quebec's industry minister, stands behind his desk energetically spreading a sheaf of brightly coloured charts in front of him, like a croupier dealing baccarat cards,

These are the road maps, he explains, to Quebec's latest initiative to draw government, business, labour and academia together in a concerted industrial strategy. "Can you manage a company without a business plan?" Mr Tremblay, who has an MBA from Harvard University, asks rhetorically. "Why should a government be different?"

Each diagram, with a complex pattern of lilac, orange and pink boxes (some of the boxes are multi-coloured) represents one of 13 industrial clusters.

These are the sectors which Quebec believes have the best chance of being competitive in world markets.

The aim is to encourage manufacturers in these industries to co-operate closely with suppliers, government, trade unions, university researchers and with each other, to create efficient and technologically advanced industries.

Corporatism has been a cornerstone of Quebec economic policy for the past 30 years. Contracts for Hydro-Quebec's big James Bay power projects put muscle into the Quebec engineering and construction industries.

Government direction and financial support have helped attract pharmaceutical and aerospace companies to the province.

Getting everyone to pull in the same direction has been relatively easy in a province with a tightly-knit, homogeneous population. There is far more job hopping between the senior ranks of business and government in Quebec than in other parts of Canada.

However, implementing a far-reaching industrial strategy is less simple than it used to be. The ability of the government to use financial support as a tool of its industrial policy is constrained by its C$4bn budget deficit.

Furthermore, Hydro-Quebec's construction programme will slow down sharply in the second half of the decade, forcing many local companies to look elsewhere for contracts.

Mr Pierre Fournier, research director at Levesque Beaubien Geoffrion, Quebec's leading securities firm, predicts the government will be able to give little more than moral support to the new industrial cluster concept.

"I like it, but it's going to take a long time," Mr Fournier says.

The 13 clusters fall into two groups. Five sectors – aerospace, pharmaceuticals, information technology products, power generating equipment and metal processing – are well-established both in domestic and international markets.

According to Mr Paul Lussier, director of investment services in the ministry of industry and commerce, Quebec has reached a point where "no major pharmaceutical company does anything in North America without considering Quebec as an option.

"If we could do that in five or six sectors, we'd be in great shape".

The second group includes transport equipment, petrochemicals, agri-business, textiles and clothing, forestry, housing, environmental products, and cultural industries.

Several of these sectors have faced severe competitive pressures in recent years, and will need a shake-up if they are to fulfil the hopes being placed in them. Their inclusion as clusters is partly a recognition of the province's natural resources and of these sectors vital importance to regional development.

Each group of industries has set up a task force to identify its strengths and weaknesses. In addition, the province's 16 regions have been asked to submit a cluster wish-list within the next few months.

Mr Tremblay sees the government's role as a catalyst. "It's a big puzzle and we put all the pieces together," he says. For example, vigorous arm-twisting by Quebec has persuaded the federal government to locate a new Canadian space agency in Montreal. A forestry technology centre has moved from Ottawa to Quebec City.

Among the products of collaboration with business taking shape is an institute for pharmaceutical research in Montreal. Twenty-one brand-name and generic drug makers have each contributed C$100,000.

The federal and provincial governments have chipped in another C$6m between them.

In spite of budget constraints, some government money is available for individual companies too. Since 1987, the government has provided over 1,000 businesses with C$519m in loans. While the loans are repayable, the terms are generous.

Principal repayments on a modernisation loan, for example, normally start only in the seventh year.

Numerous tax incentives are available. Research and development expenses enjoy tax credits of up to 40 per cent. But in an effort to nudge academics towards practical research, the credits are doubled for R&D undertaken in partnership with a university.

Foreign investment is an important part of Quebec's industrial strategy. US, European and Asian companies have large stakes in many of the 13 clusters, as well as other parts of the economy. Two of South Korea's biggest North American investments are in Quebec, in the form of a Hyundai car plant in the eastern townships and a Sami Steel factory in Montreal.

Much of the emphasis in the years ahead will be on attracting more Asian capital. The government has just opened a trade and investment office in Vancouver, with a mandate to try and divert to Quebec some of the money flowing into Canada's western provinces from Hong Kong, Taiwan and Singapore.



THE ECONOMY

# Positive business culture is a silver lining

THE GUSTO with which the people of Montreal celebrated the city's 350th birthday last month can be interpreted either as a sign of Quebec's eagerness for some distraction from the tough times of the past few years, or its confidence that the worst is behind it.

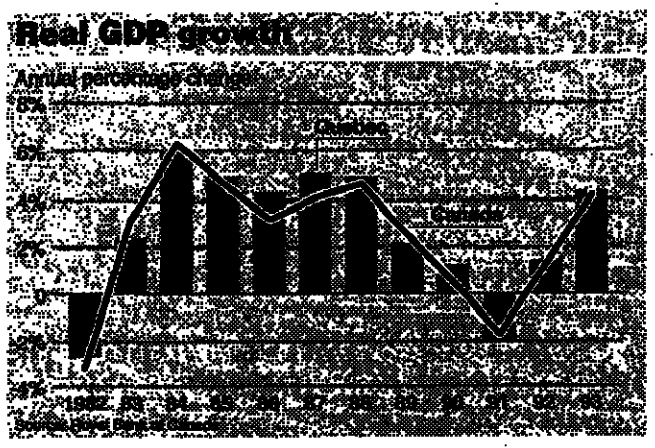
Together with neighbouring Ontario, Quebec has borne the brunt of the downturn in the Canadian economy. Output shrank by about 2 per cent last year, after barely rising in 1990.

Several of the province's biggest companies, including the construction group Lavalin and retailers Provigo and Steinberg, have experienced severe financial problems. Canadian Pacific, the venerable railway and resource conglomerate based in Montreal, lost C$40m in the first three months of this year.

Quebec's unemployment has climbed to 12 per cent and Montreal is reputed to have one of the highest rates in North America. Problems of high interest rates and a strong currency were exacerbated by Quebec's relatively heavy exposure to industries which were hit by the cyclical slump in demand and also suffered from more deep-rooted structural handicaps.

The impact of the separatist campaign is unclear. But it has certainly not encouraged local businesses to invest, nor has it helped attract capital from elsewhere. Royal Bank of Canada said in a recent report that political uncertainty "will constrain investment growth" in the province. The chief executive of a large insurance group in Montreal added that his company was unlikely to make any substantial new property commitments in the province until the political picture was clearer.

If there is a silver lining to the political turmoil, it is the positive business culture which continues to make Quebec one of Canada's most hospitable provinces to both domestic and foreign companies. While captains of commerce and industry in Ontario are harshly critical of their province's fiscal and labour policies, premier Robert Bourassa's Liberal government in Quebec has a comfortable relationship with the business community.




Quebec was among the loudest cheerleaders in Canada for the 1989 free trade agreement with the US. Although recession and mounting competition from US suppliers have taken some of the shine off free trade, Quebec generally supports Ottawa's participation in the talks with Mexico to create a North American free trade area.

**The recession has forced workers in many industries to moderate their pay demands while suppliers have come under pressure to hold down prices. Canada's annualised inflation rate has dropped below 2 per cent**

Quebec is the first of Canada's 10 provinces to grasp the nettle of aligning its provincial sales tax with the new (but highly unpopular) federal Goods and Services Tax. Although the harmonisation has short-term political risks, it greatly simplifies tax-paying companies' paperwork.

The macroeconomic picture has improved markedly in recent months. Canadian banks' prime lending rates are below 8 per cent compared to a peak of 14.75 per cent in mid-1990.

The Canadian dollar, whose level is closely watched by such export-dependent industries as forestry and mining, has tumbled by almost 10 per cent since last November.

With the US buying almost three-quarters of Quebec's exports, the upturn south of the border will give an added lift to business.

National Bank of Canada, whose head office is in Montreal, forecasts that Quebec's growth rate will accelerate from 1.5 per cent in real terms this year to 3.5 per cent in 1993.

Household spending is expected to be a mainspring of the recovery, as consumers go shopping with the savings from lower mortgage payments. National Bank forecasts a 3.5 per cent rise in retail sales this year, accelerating to 5.5 per cent in 1993. Tourism should get help this year from Montreal's birthday celebrations.

Like their counterparts in the rest of Canada, many Quebec business leaders are painfully aware that more favourable interest and exchange rates may not be sufficient to guarantee another burst of prosperity.

The postponement of the C$12bn Great Whale hydro-electric project means the construction and engineering sector will recover more slowly than hoped.

Fixed investment as a whole is likely to stagnate for some time as work on new aluminium smelters is completed, and the government winds down construction of sewage treatment stations. In the longer term, the drive towards freer trade has exposed inefficiencies in such cornerstones of the Quebec economy as forestry, dairy farming and the textile industry.

Canadian pulp and paper exporters have steadily lost market share in the US to lower-cost producers elsewhere. Likewise, unemployment in the textile and clothing sector, which is centred in Quebec, has soared as uncompetitive companies are forced to slim down or close down.

Quebec's inefficient but politically powerful dairy farmers are threatened by growing pressure (mostly from Canada's international trading partners, but also from domestic food processors and consumers) on a raft of protective quotas and other non-tariff barriers.

Although the cost in unemployment has been painfully high, the recession has forced workers in many industries to *moderate their pay demands*, while suppliers have come under pressure to hold down prices. Canada's annualised inflation rate has dropped below 2 per cent

In addition, Quebec's trade unions have generally been more willing than their counterparts in other parts of the country to reopen labour contracts and accept management demands for more flexible work practices. The ability to build on recent productivity improvements is likely to distinguish the next generation of Quebec business winners from its has-beens.

Pharmaceuticals thrive in Montreal, writes **Robert Gibbens**

# Cornerstone of economic development in the 1990s

THE WESTERN suburbs of Montreal illustrate the turnround in the Quebec pharmaceuticals industry – from decline in the early 1980s to a cornerstone of economic development in the 1990s.

Hoffman-La Roche, Canadian arm of the Swiss multinational, built extensive new research and manufacturing space in pastoral Vaudreuil. The multi-storey tower and five-storey building alongside were designed for the 21st century. But in 1969, the federal government introduced compulsory licensing for imported products and reduced basic patent protection for brand-name medicines to four years.

The company never moved into its space-age facilities. Nor did an American-based concern which had built a new research lab in the same area. Hoffman-La Roche moved its Canadian head office to Ontario and its Canadian research facilities to the US. It waited several years to sell its Vaudreuil venture.

The brand-name companies maintained that patent protection had been reduced to the clear advantage of generic producers in the name of lower drug prices. They warned that the compulsory licensing system would not work for Canada or Quebec. The exodus continued. By the early 1980s, Ayerst, McKenna & Harrison closed its Montreal laboratory, merging it into the parent's US research operations. A few *enterprising researchers stayed* put, however. With Canadian financial backing, one group founded a new company specialising in products for treating diseases of the immune system and cancer and viral diseases.

Six-year-old BioChem Pharma has yet to show an operating profit but it boasts a market valuation of C$1bn. It is Glaxo's Canadian partner in developing anti-Aids drugs. A big change came in 1987 when Ottawa bowed to pressure from the multinationals and agreed to extend patent protection to seven years, in return for promises of sizeable investment in Canada.

**Michael Carnow, president of Merck Frosst Canada: expansion**

The same western suburbs of Montreal now display the results of the investment spree that *followed*. Nearly $500m has been invested by brand-name international and domestic companies in new research, laboratories and production plants in Quebec since then.

Montreal has become the undisputed centre of Canada's pharmaceutical industry. Merck Frosst Canada, Burroughs Wellcome, Bristol-Myers Squibb Pharmaceutical *Group and BioChem Pharma* are among those which led the way. Now the Federal Government plans to extend patent protection further in line with international practice and end compulsory licensing.

"We want the government to adopt legislation placing Canada on a level playing field with the major industrial nations for protection of pharmaceutical products," says Mr Michael Carnow, president of Merck Frosst Canada. "This will enable Canada and Quebec to compete for investment."

He said Gatt deadlines for agreement on patent protection have slipped and Canada should move unilaterally to ensure Canadian-based companies can compete. "This will lead to more research and capital investment." Merck Frosst has begun engineering work on a big manufacturing expansion in Montreal. The new plant will be geared to specific products for international markets.

The company's Canadian research budget is C$270m for 1991-95, including a new $70m research centre opened last September. Colin Mallet, president of Sandoz Canada, says *the investment spree should* continue. He predicts that hundreds of new research and production jobs will be created in Quebec and Canada this decade if conditions are favourable.

The Quebec government is likely to work hard to ensure that the bulk of the new investment comes to the province. Pharmaceuticals represent one of Quebec's three most important competitive industrial clusters, employing more than 2,000 researchers and planning investment of up to $1.5b this decade.

Almost half the total Canadian pharmaceutical industry and more than half its annual $300m *research effort* are now located in Quebec.

The province has four university faculties of medicine, two pharmacology faculties, an array of specialised bodies such as the Montreal Clinical Research, Biotechnology Research and the Heart and Cancer Institutes. Research is also carried out at Laval University in Quebec City.

The Quebec industry's activities range from basic, applied and clinical research to biotech engineering. Production includes fine chemicals, pharmaceutic and therapeutic products, vaccines, biological and diagnostic products. In 1990, the Quebec industry invested $126m in research, up 28 per cent from 1989, and the 1991 total was higher. It also includes some generic producers, though these have congregated mainly in Ontario.

The federal government is now considering extending the patent protection period to 20 years after application or equivalent to about 10 years in the market place. "With the population ageing, the industry will play a more crucial role in the economy," says Mr Mallet. "We're all moving towards longer protection, partly because testing lasts longer and is more complex. We must provide an environment fostering competition with other industrial countries in scientific expertise and patent protection.

"The dice are still loaded against Canada now because its local market is lost to generic manufacturers after only seven years. Canadian firms and researchers must be given a fighting chance."

Generic producers have reacted strongly to suggestions that patent protection will be extended significantly. Mr Barry Sherman, president of Apotex, Toronto, one of Canada's two biggest generic drug makers, said the government has capitulated to US pressure. Apotex is not going ahead with plans for a $50m extension to its Winnipeg plant.

# INVESTMENT IN QUEBEC 3

■ PROFILE: HYDRO-QUEBEC

## The power utility is fighting back

THE past few years have not been kind to Hydro-Quebec, North America's third biggest power utility.

Recession has slowed growth in demand for electricity, two successive winters of low snowfall have reduced generating capacity at hydro-electric dams, a heavy construction programme has forced up Hydro-Quebec's electricity rates faster than the rate of inflation.

To cap it all, this bastion of Quebec pride has found itself on the defensive in an intense battle with environmentalists and the province's own aboriginal community over the enormous hydro-electric scheme which it plans to build on the Great Whale river flowing into Hudson Bay.

The New York Power Authority, which was to be the lead customer for the electricity from Great Whale, cancelled its C$17bn contract with Hydro-Quebec earlier this year.

It's a matter of debate whether the NYPA was swayed by the environmental protests or simply by the recession's impact on its customers' appetite for electricity.

But there is no doubt that the decision has set back Hydro-Quebec's plans to stitch together one of the world's biggest hydro-electric grids in northern Quebec.

Mr Richard Drouin, the utility's amiable chairman, acknowledges the problems of the past, as well as the challenges which remain.

**As the construction programme slows, price increases could drop to, or even below, the overall inflation rate**

He is confident some of the pressures will ease over the next few years. Hydro-Quebec had a glimmer of welcome news in the first quarter, with an 8.1 per cent rise in electricity sales thanks to an unusually cold winter, a new export contract in New England, and the small matter of an extra leap-year day in February.

In the longer term, Mr Drouin predicts that the competition hydro-electric power has faced from cheap, clean natural gas will wane when consumers discover that gas prices can go up as sharply as they go down.

He adds that as the utility's construction programme slows down in the mid-1990s, price increases could drop to, or even below, the overall inflation rate.

Finally, Mr Drouin has no hesitation in predicting that the New York Power Authority will be back in the market for hydro-electric power from Quebec before long.

"We're not trying to get the whole New York market," he says.

Hydro-Quebec chief Richard Brown: challenges remain

"We're only trying to get one-thirtieth of it."

Hydro-Quebec has always insisted that none of its new projects are driven entirely by export contracts. While Great Whale will no longer be needed to supply power to New York in 1998 as originally planned, the utility still plans to press ahead with the C$12bn project once a thorough environmental assessment by the federal and provincial governments is complete.

It expects construction to start towards the end of next year, with the first generating station being commissioned around the turn of the century. The second and third phases will probably be postponed. They are tentatively scheduled for completion in 2007 and 2008, five years later than planned.

Lengthy environmental reviews may delay two other northern Quebec projects, known as Eastmain-1 and Laforge-2.

Although Great Whale is on a more distant horizon, Hydro-Quebec still has its hands full with projects on the La Grande River, about 150 miles to the south.

Four generating stations, with a capacity of almost MW4,700, are scheduled for completion by 1995, largely to meet demand from new aluminium smelters along the St Lawrence River.

In an effort to spread its risks, Hydro-Quebec has begun encouraging co-generation projects, mostly in partnership with local pulp and paper mills.

It aims to buy up to MW750 of power from co-generation plants by 1996, and is sifting through a pile of applications from potential suppliers.

The busy construction programme requires heavy borrowing on both domestic and international capital markets.

Mr Michel Labonté, vice-president for finance, estimates the utility's borrowing needs, including refinancings, at C$4.5bn this year, C$3bn in 1993 and C$4.5bn in 1994.

The utility is leaving few stones unturned in its efforts to tap outside sources of finance. In April, it became the first buyer outside the aircraft industry to finance new equipment, in this case four gas turbines, through a US Ownership Foreign Sales Corporation.

**The row over the NYPA contract has taught Hydro-Quebec some lessons it won't easily forget**

These deals are a complex form of lease, driven mainly by tax advantages for investors.

Hydro-Quebec completed its first global bond issue last year. It made its debut in the Euro-French franc market last March, and has become increasingly active in the US medium-term note market.

It expects to expand its commercial paper programme to about C$500m by the end of this year.

Mr Drouin says that contrary to some press reports, the cancellation of the New York contract will not affect Hydro-Quebec's ability to service its US dollar debt.

The new aluminium smelters, which will be Hydro-Quebec's biggest new customers in 1992 and 1993, will pay for their electricity in US dollars. "We don't feel threatened at all, currency-wise," Mr Labonte says.

Nonetheless, the row over the NYPA contract has taught Hydro-Quebec some lessons it won't easily forget. "It made us more aware that in the 1990s there were people around us who could affect our operations, and that we should be more aggressive than passive," says Mr Drouin.

MONTREAL

## A strong sense of survival

MONTREAL feels a dash of nostalgia for the Expo 67 World Fair. It casts a glance of envy at Seville's Expo 92 as Montreal celebrates its 350th birthday party this year.

Expo 67 marked the pinnacle of Montreal's achievements. Francophones, Anglophones and more recent immigrants worked together to build an international exhibition on a clump of small islands in the St Lawrence river.

The federal government and the other provinces chipped in generously, with only one or two scrooges. It was a rare national effort. After that it seemed Montreal, with its multilingual services, large inland seaport and two commercial airports, proximity to New York and Boston, Toronto and Chicago, might host several international organisations, including part of Unesco. But little happened.

Over the next 25 years, Montreal and its 3m inhabitants struggled through recessions, two world energy crises, the increase of separatism, an exodus of 100,000 Anglophones and a divisive constitutional debate. The current recession has been the worst since the 1930s and there is no free spending for the 350th birthday party. Nonetheless, the city retains its grace and insouciance, and its inhabitants have not lost their sense of humour.

Satire continues to prosper in Montreal, and the city stages an annual Festival of Laughs besides international film and jazz festivals.

Montreal, still feeling snubbed by the hauteur of Quebec City, the provincial capital, realises it urgently needs an international vocation, if only to express its growing ethnic mix – 70 per cent Francophones with the rest Anglophones and immigrants. In spite of the financial burden of $1bn-worth of debt from the 1976 Olympics, the city has expanded its cultural heritage, restored the waterfront and the Old City and extended its museums and theatres.

**Several industrial sectors have faced severe competitive pressures in recent years, and will need a shake-up if they are to fulfil the hopes being placed in them**

It has come to terms with the age of skyscrapers and insists on variety and renewal, while adjusting to the post-industrial revolution.

Montreal's population fell behind that of Toronto in the late 1950s and may yet be overtaken by fast-growing Vancouver. But it is still a gateway from Europe and is North America's most European big city. Its hotels and restaurants are among the continent's best, and winter and summer sports are just an hour away.

Founding Montreal on a 35-mile-long island in the St Lawrence system was called *la folle entreprise*. A French tax collector believed God wanted him to build a hospital inside a mission. Some rich French families put up money, the story goes, and soldier Paul de Chomedey, Sieur de Maisonneuve, landed at Quebec in 1641 with a clutch of settlers. They set out for Montreal Island the next spring, and De Maisonneuve swore he would found a colony "were every tree on the island changed to an Iroquois".

They built their first stockade on the waterfront, later moving to higher ground near today's Place d'Armes and the old Sulpician seminary. Soon Montreal was a centre of the fur trade. The French voyageurs and explorers left from there to build their network of trading posts and probe North America as far as the Rockies and to Mexico.

With the conquest, the French were cut off from France, and Scottish merchants soon moved in and prospered from successive waves of immigration. By 1845, Montreal's population numbered 50,000, and it was Canada's import-export centre. The new railroads fanned out west from Montreal, and Canadian Pacific was formed in the city in 1880.

Montreal's three great growth periods were 1850-60, 1900-11 and 1950-61, but two world wars forced the pace of industrialisation and liberalised the social structure. Though the job is not completed, Montreal's rebuilt waterfront and Old City, with its stone buildings and cobbled streets, is a charming place to stroll in spring and summer.

The St Lawrence is fast-flowing as it turns slightly and continues 1,000 miles to the Atlantic. Montreal vies with Baltimore as the eastern seaboard's second biggest container port.

Old Montreal includes many buildings from the French period, including the Grey Nuns' first hospital, and the Bonsecours Chapel. The Old City is connected with the new and the suburbs by a 65-station 45-mile rubber-tyred Metro.

The Olympic Stadium needs a new roof but boasts a Swiss-built funicular running up the 600 ft tower. The Place des Arts, containing the main concert hall and several theatres, has been modernised and expanded, and the Musee d'Art Contemporain added alongside.

Montreal's four universities have many cultural facilities. The Canadian Centre for Architecture, the brainchild of a daughter of Mr Sam Bronfman, the liquor magnate, is a mecca for architects throughout the world.

The Montreal Museum of Fine Arts, with a general collection and which specialises in international exhibitions, last year opened a controversial addition designed by Mr Moshe Safdie.

The rebuilt McCord Museum, owned by McGill University, specialises in ethnology and Canadian history. Montreal's Circus School has just burst on to the international scene, providing the performers for Le Cirque du Soleil, an acrobatic extravaganza performing in North America and in Europe. Montreal may have lost power and influence, but it has a rich historical and cultural heritage and a strong will to survive and grow again.

**Robert Gibbens**


**KEY FACTS AND ECONOMIC INDICATORS FOR QUEBEC**

| | | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|---|
| GDP | ($m) | 149,932 | 154,066 | 155,500 | 160,940 | 172,900 |
| | % change | 5.4 | 2.9 | 0.9 | 3.5 | 7.4 |
| Personal disposable income | ($m) | 99,146 | 105,263 | 108,420 | 110,370 | 117,850 |
| | % change | 6.2 | 6.2 | 3.0 | 1.8 | 6.8 |
| Retail sales | ($m) | 45,451 | 47,740 | 44,225 | 45,400 | 47,900 |
| | % change | 1.0 | 0.6 | -3.3 | 2.7 | 5.5 |
| Housing starts | (units) | 49,058 | 48,070 | 44,654 | 43,000 | 50,000 |
| | % change | -15.5 | -2.0 | -7.1 | -3.7 | 16.3 |
| CPI | (1986 = 100) | 112.9 | 117.7 | 126.4 | 129.2 | 133.1 |
| | % change | 4.3 | 4.3 | 7.4 | 2.2 | 3.0 |

Source: Statistics Canada, Royal Bank Economics Department forecasts for 1992-93

FINANCIAL SERVICES

# Recession, failures curb enthusiasm

QUEBEC led the push for *Canadian financial services* deregulation in the early 1980s, but the enthusiasm has since been tempered by recession and some spectacular corporate failures.

The province was tilting at the four pillars of Canadian financial services – banks, trusts, insurance and investment dealing – even before the national debate on deregulation began in 1985.

Mr Jacques Parizeau, then the province's finance minister, argued for broad deregulation and more competition, and accused Ottawa of dragging its feet. The powerful Desjardins credit union group, with $45bn in assets, backed him, eager to keep its grip on *Quebec's retail banking and to* flex its muscles in corporate lending and other services.

**The Quebec financial services industry generally feels that the new federal legislation falls short**

Most Quebec institutions, such as National Bank of Canada and the life insurance firms, *welcomed the idea of* new powers and more competition, stressing an entrepreneurial approach to financial services. Some began buying sprees. But others such as Industrial-Alliance, the province's biggest locally-owned insurance group, were more cautious.

Now, Quebec – struggling *with recession – finds itself* having to adjust not only to its own deregulation moves, but also changes in the rules for federally-regulated banks, insurers and trust companies which are expected to take effect this month.

One insurance executive in Montreal says Quebec's liberal regulatory regime may have contributed to the recent failure of Cooperants Mutual Life, a Quebec-based company. The Cooperants failure has prompted a behind-the-scenes debate on tightening some of *the province's insurance regulations.*

The Quebec financial services industry generally feels, however, that the new federal legislation falls short and that a "rendezvous with history" may have been missed, says Mr Claude Forget, senior vice-president of The Laurentian Group, a full-service institution.

On one hand, Quebec is pleased that the federal reforms level the playing field among institutions. For example, they will allow banks for the first time to buy trust and insurance companies, and insurers to buy trusts.

But there are strict conditions on the banks' ability to *offer insurance* and fiduciary products. Banks and trusts cannot lease cars and distribute insurance through their branches – *less than Quebec* wanted. Banks have been allowed to buy investment dealers since 1987.

The formation of a national securities commission, a key issue for Quebec, has been delayed indefinitely. Securities trading is a provincial jurisdiction. The new "deregulated" national industry faces a highly complex federal supervisory system.

The Bank Act has gone from 255 pages to 342 containing 604 sections against 316; the Insurance Act from 173 pages to 406 with 762 sections against 238. Detailed regulations are yet to come.

"The legislation does break down barriers," says Mr Forget. But the failures of two western banks, several Ontario trust companies and Cooperants Life in Quebec made legislators cautious.

"It strengthens controls of all kinds in trying to achieve financial-sector security," Mr Forget says. Regulatory compliance will require elaborate corporate procedures to track authorisations and restrictions, threatening lengthy delays. Institutions may not compete effectively from their domestic bases and controls may create a false sense of security, he says.

While deregulation has been the dominant theme for seven years, Quebec-based banks, trusts, insurance firms and the diversified Desjardins group have faced heavy domestic mortgage repossessions and write-offs on sour corporate loans.

The worst appears to be past for loans within Canada, with the notable exception of Montreal-based National Bank of Canada's exposure to property developer Olympia & York.

Deregulation and tough economic conditions are leading to greater financial services concentration in Quebec. Several independent Quebec securities firms have disappeared in recent years. The largest brokerage firm in the province, Levesque Beaubien Geoffrion, is now a National Bank subsidiary. Meanwhile, some assets of the failed Cooperants insurance group have been acquired by Desjardins and Industrial-Alliance.

**The Montreal stock exchange, with almost 100 per cent electronic trading, was profitable last year**

*Paying off policyholders* may cost the insurance industry well over $100m via its consumer protection fund.

Quebec property and casualty firms have been under severe margin pressure for two years, bringing more concentration and new international ties. The Montreal stock exchange, with almost 100 per cent electronic trading, was profitable last year and has kept its share of the value of *equity trading in Canada at* about 20 per cent. It has scored some successes in developing its niche derivative products, notably Government of Canada bond futures.

**Robert Gibbens**

Canadair's first 50-passenger Regional Jet is unveiled at the company's Dorval plant

**Robert Gibbens** on the aerospace industry

# Competitive sector

IN SPITE of the world slowdown in aircraft orders, aerospace is proving Quebec's most vigorously competitive *industrial sector.*

Quebec and Ontario each make up 45 per cent of Canada's aerospace industry, which posted 1991 sales of $9.4bn, up 12 per cent from 1990.

The balance is spread in the Atlantic provinces and the west. But it is Bombardier, the Montreal-based international transport equipment group, that has seized leadership and control of the Canadian industry.

In six years, Bombardier has built itself a big niche in international markets for about C$320m cash and heavy commitments in new equipment, partly government-funded.

Mr Laurent Beaudoin, chairman, *made the first sortie in* 1986, buying the troubled Canadair from the federal government for C$140m. This was followed by the acquisitions of Short Brothers, of Belfast (C$58m), Learjet in Kansas (C$86m) and finally 51 per cent of de Havilland Canada, Toronto (C$35m cash), in 1992.

Bombardier has meshed all four units into an interdependent group managed by Canadair in Montreal. Montreal makes the Challenger business *jets, the 50-passenger Regional* Jet (RJ), defence systems, waterbombers and has big airframe contracts with Airbus.

"We move quickly, keeping existing management where possible, reorganising and modernising," says Mr Beaudoin. "The key is investment in people and equipment and defining your markets. This *lightning expansion* hasn't slowed our speed of manoeuvre. But we're not interested in British Aerospace's business jet division."

Aerospace made up 60 per cent *of Bombardier's C$3bn* sales last year, and more of its total C$5.5bn order backlog. Bombardier now makes a complete range of commercial, business and specialised aircraft in Montreal, Belfast and Wichita, Kansas. The Montreal operations are approaching the peak 11,800 payroll Canadair achieved 25 years ago when it turned out modified Sabre fighters.

It delivered a total 100 aircraft last year and may do better *in 1992 as RJ deliveries* begin to Lufthansa's feeder airline. It hopes to leapfrog Gulfstream with a long-range Global Express business jet adapted from the RJ. Quebec's *total aerospace shipments* were more than $4bn last year, 70 per cent for export.

**Because of slower engine orders, PWC has cut manpower at its Montreal assembly plant to about 7,000**

Direct payroll totals nearly 30,000 after 1,000 recent layoffs at Pratt & Whitney Canada *(PWC), the world's biggest* small turbine maker. Research and development runs to about $250m a year, partly government-funded; investment in plant and equipment averages about $200m.

Because of slower engine orders, PWC has cut manpower at its Montreal assembly plant to about 7,000, or well below Canadair's. Total 1991 sales were about *$1.5bn*, including turboprop and fanjet engines, parts, overhaul and maintenance and service operations. But *rising* revenues from engine overhauls will cushion the temporary drop in demand for new engines.

CAE Electronics, a world *leader in commercial flight* simulators, is recovering from an order downturn after the Gulf war. Annual revenues are about $500m, and *it is a heavy* R&D spender.

Bell Helicopter Textron, with sales of about $350m, has a new plant near Mirabel Airport, north of Montreal, specialising in smaller machines. It has received a $1bn Canadian military order, ensuring stability for several years.

*Rolls-Royce Canada, with* 1991 sales of $253m, specialises in heavy jet engine overhaul. It has just won a $100m contract to maintain USAir's 88 Rolls-Royce-powered aircraft, and may expand into industrial *engine assembly.*

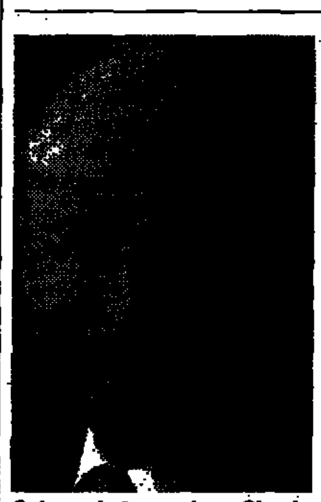
Air Canada operates the country's biggest single engine overhaul shop, with 2,500 employees, in Montreal. Dowty Aerospace builds landing gear for Airbus jets at a new $90m plant at *Mirabel, and* Heroux specialises in landing gear overhaul and hydraulic systems.

Canadian Marconi is a leader in avionics, Howmet Cercast in castings, FRE Composite in new materials, and Hochelaga Aerospatiale in machining. Spar Aerospace conducts most of its satellite communications and *remote* sensing research and assembly in Montreal.

Oerlikon, Paramax Electronics and Bendix Avelex are *diversifying after a drop in* defence business. Innotech provides custom interiors and refits business and specialised aircraft. Overall Quebec's *materials*, component and services support network is more developed than Ontario's. NMF Canada, part of Britain's Aviation Tool, is among the latest arrivals in Quebec. The first *customer for its* new advanced metal-finishing plant is Canadair – for finishing RJ wings.

PROFILE: Caisse de dépôt et placement du Quebec

# Institution wields a big stick



Caisse chairman Jean-Claude Delorme: no qualms on size

THE CAISSE de dépôt et placement du Quebec has long prided itself on speaking softly but carrying a big stick. However, as the resources at its disposal grow, the institution which manages Quebec's government pension and insurance funds is starting to turn up the volume, and wield its stick a little more forcefully.

The caisse's widening influence is visible both in Quebec and far beyond the province's borders. At home, it has taken a leading role over the past year in refinancing and reorganising Domtar, the Montreal-based pulp and paper producer in which it and another Quebec government agency have a combined 42 per cent stake.

Well aware that it contributes more than a tenth of all transactions on the Montreal stock exchange, the caisse is nudging up its slice of the business *to securities firms which* track Quebec-based companies.

However, its most ambitious thrust is on the international front. More than 16 per cent of the caisse's assets, totalling C$41bn, is invested in foreign bonds and equities. This proportion is likely to grow in coming years.

Mr Jean-Claude Delorme, the *caisse's chairman, says that* the caisse wants to build on the contacts it has gained around the world.

**The caisse has a seat on Cobepa's board which may help open up opportunities in Europe**

"If we were to stop there, I don't think we'd be getting the full benefit of our connections," Mr Delorme says. "We should use the leverage that the caisse can muster to bring foreign industrial groups to consider Quebec as an area to invest."

The leverage is being wielded in a number of ways. First, the caisse is moving beyond passive portfolio investments abroad.

For example, last April it spent over C$30m on a 2 per cent interest in Compagnie Belge de Participations Paribas (Cobepa), a Belgian industrial and financial holding company.

The caisse has a seat on Cobepa's board, which may help open opportunities in Europe as well as identify European partners for investment in Quebec. Cobepa is a minority shareholder in Power Corporation, one of the most influential players in Quebec business. It has interests in several other Quebec companies, including DMR, a data processing group; Unigesco, a food distributor; and United Auto Parts.

At the same time, the caisse is thrusting deeper into the international property market. It has forged links in the past few months with a number of foreign institutions which are likely to lead to new investments.

The caisse's growing interests outside Quebec enable it to make a virtue out of necessity. As Quebec's and Canada's biggest investor, the pressure to diversify is strong on both commercial and political grounds.

Continuing to find profitable new outlets at home for a rising inflow of funds has become increasingly difficult.

Not much happens in Canadian business without the caisse knowing. It has equity stakes in about 350 Canadian companies. Most are minority shareholdings of less than 10 per cent but in some cases – such as Domtar, printing and publishing group Quebecor, cable-TV operator Videotron and a host of small businesses – the caisse's shareholding is large enough to give it a decisive say.

The bigger it gets in Canada, the more exposed the caisse becomes to political criticism. Even some of its admirers wonder whether it isn't time to think of splitting it into a number of smaller units.

Being a shareholder in various companies which compete in the same sector and in the same country has raised questions about conflicts of interest. Concerns on this score could grow as the caisse, like other institutional shareholders, takes a more active interest in the management of companies in which it invests.

Mr Delorme, an articulate lawyer who headed Canada's overseas telephone company prior to joining the caisse two years ago, has no qualms about size. Measured internationally, he says, the caisse is not large. Where there is a threat of conflicts of interest, investments are divided up among different portfolio managers. The caisse, Mr Delorme insists, is usually trying to do no more than "assist companies to do what they think is good for their own future".

Nonetheless, Mr Delorme believes there is room for closer liaison between shareholders and corporate management. Although he eschews the kind of shareholder activism recently seen in the US, he sees the caisse as more than a passive investors.

The best way to solve a company's problems, he notes, is not necessarily to sell the shares.